

NATION'S BUSINESS



JULY • 1935

The Lawless Honesty of TVA

Herbert Corey

An Industrialist Thinks Aloud

W. J. Cameron

New Labels on Old Bottles

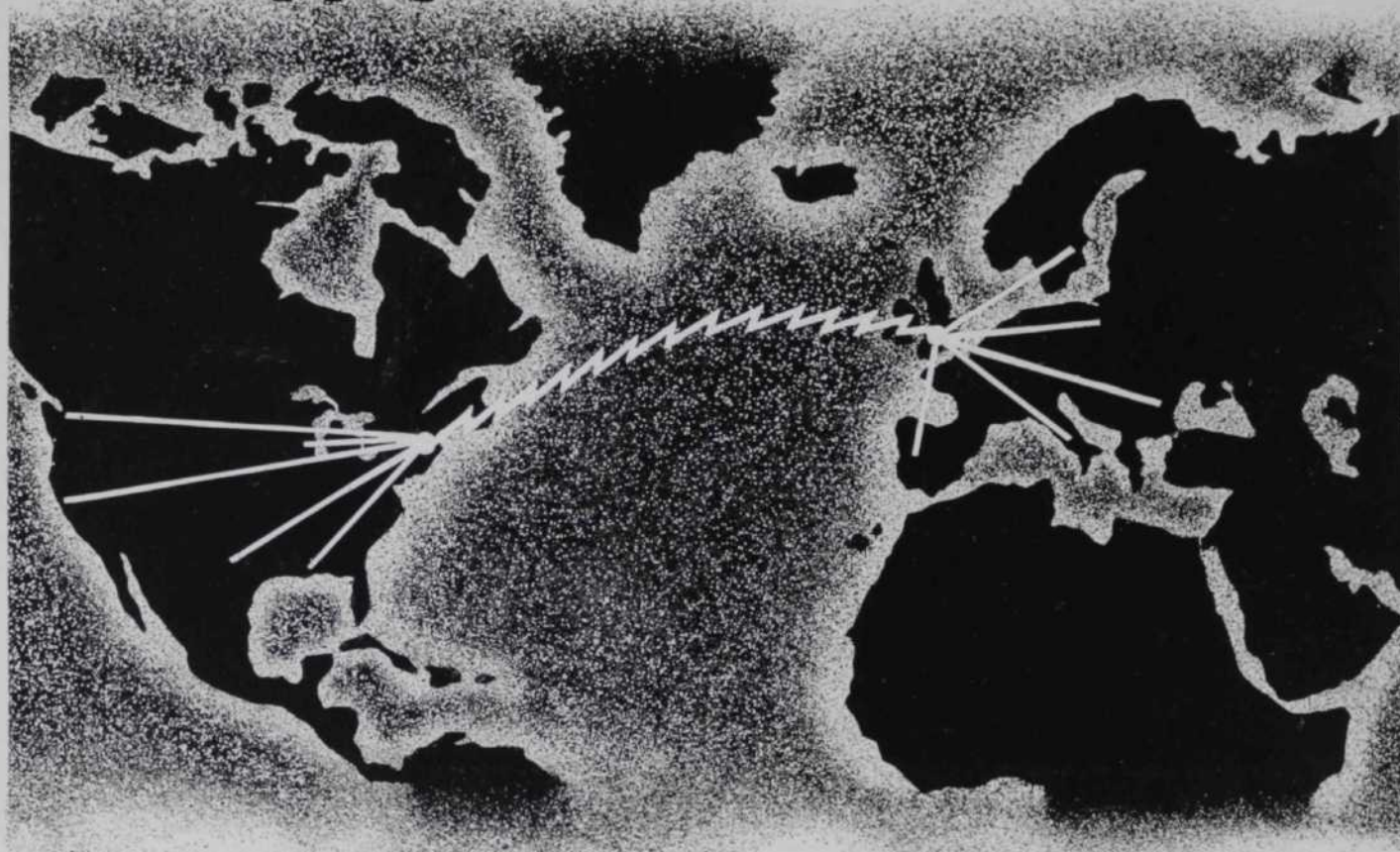
Merle Thorpe

270,000 CIRCULATION

PUBLISHED BY THE CHAMBER OF COMMERCE
OF THE UNITED STATES • WASHINGTON

Night rates for telephone calls *To Europe*

now apply from 5 P. M. to 5 A. M.



Night rates—\$9 less than day rates for a 3-minute call—are now in effect on calls to Europe between 5 P.M. and 5 A.M. The table below lists the comparative cost of 3-minute calls to representative European cities during the day, and after 5 P.M. For illustration, the rate is shown from New York in each case.

New York to	5 A. M. to	5 P. M. to	New York to	5 A. M. to	5 P. M. to
	5 P. M.	5 A. M.		5 P. M.	5 A. M.
London	\$30.00	\$21.00	Rome	\$34.50	\$25.50
Paris	31.50	22.50	Stockholm	34.50	25.50
Amsterdam	31.50	22.50	Warsaw	34.50	25.50
Berlin	33.00	24.00	Bucharest	36.00	27.00



This map indicates the four American zones by which the cost of calls to Europe is determined. From all points in area "A," the same rates given for New York apply. From all points in area "B," 3-minute calls cost \$3 more than in "A." "C" costs \$3 more than "B," "D" \$3 more than "C." Each extra minute costs $\frac{1}{3}$ of the basic rate.

Bell System overseas service today reaches 60 countries. It is the fast, *modern* way to do business abroad . . . the personal, *satisfying* way to keep in touch with friends and relatives. Just use your home or office telephone and ask for "Long Distance."



WHY BUSINESS IS TAKING A NEW LOOK AT "ALL THREE"



"ECONOMICAL? I'LL SAY!" Plymouth's new cooling and ignition actually cut gas and oil costs 12% to 20%. Saves you money.



MARVELOUSLY EASY RIDING—Weight correctly distributed... new-type springs... no bumps or bouncing on roughest roads.



WELDING All-Steel Body—Plymouth's all-steel body and frame are virtually a single unit... It's stronger, safer, longer-lasting.

New Plymouths cut Operating Costs to new All-time low!

TO SALESMEN, business men, purchasing agents, the big, new Plymouth offers economies so startling that it upsets all past ideas of car-operating costs.

By means of a brand new cooling principle and new ignition, the Plymouth saves from 12% to 20% in gas and oil. It actually has the highest compression ratio of any low-priced car... yet it does not require premium fuel.

That's not all. Features such as valve seat inserts... anti-friction bearings... self-equalizing hydraulic brakes... an air-cooled, 15% bigger clutch... result in large maintenance savings.

And, remember, Plymouth is the safest low-priced car. It's the only one of "All Three" to have both genuine hydraulic brakes and an all-steel body.

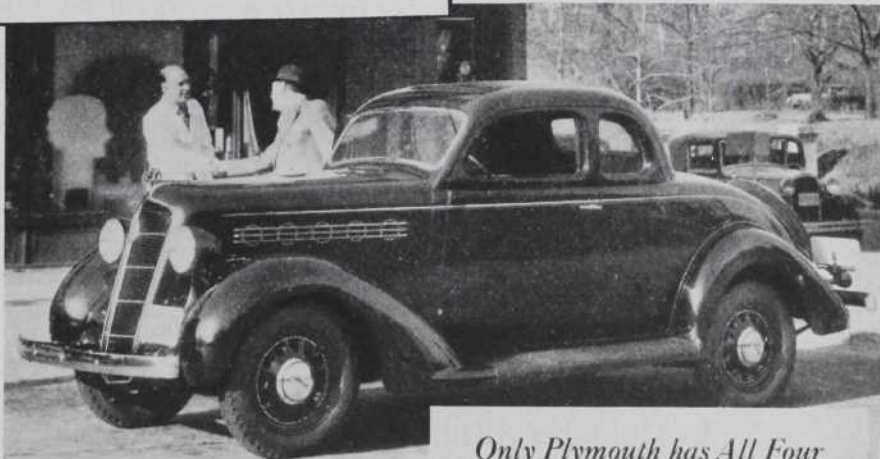
Before investing in any low-priced car, this year, call your Chrysler, Dodge or DeSoto dealer.



WORLD'S SAFEST BRAKES! Plymouth's genuine hydraulic brakes are self-equalizing... stop you smoothly... safely.



FLOATING POWER engine mountings absorb vibration, add to comfort. The engine runs so quietly you can hardly hear it.



HANDSOME Plymouth Business Coupe—a credit to any firm... powerful, rugged... the most economical full-sized car!

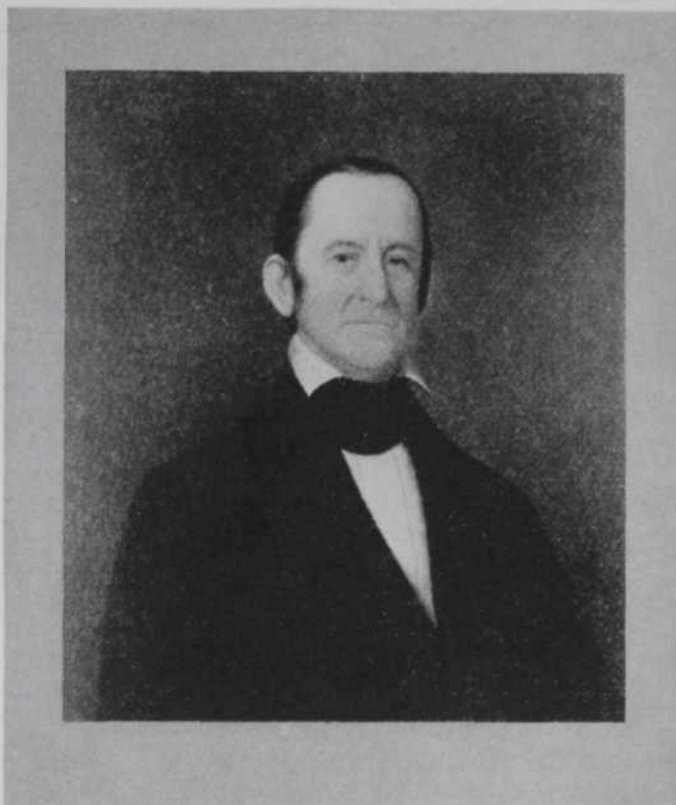
Only Plymouth has All Four

1. GENUINE HYDRAULIC BRAKES
2. SAFETY-STEEL BODY
3. WEIGHT RE-DISTRIBUTION
4. 12% TO 20% LESS GAS & OIL

PLYMOUTH *Now only* **\$510** And Up List At Factory Detroit Special Equipment Extra

THE ONE HUNDRED AND TWENTY-FIFTH ANNIVERSARY YEAR

A PROMISE THAT HAS BEEN KEPT



JONATHAN GEORGE WASHINGTON TRUMBULL
First "Hartford" Local Agent

IN 1810, one hundred and twenty-five years ago this month, the Hartford Fire Insurance Company was organized under a perpetual charter to sell INDEMNITY—i. e., a promise to pay legitimate claims for loss or damage to property caused by fire.

Something more than money was required for such an undertaking. Character, courage, and honesty of purpose were essential to make such an endeavor successful. Insurance at that time was an almost untried experiment. It was necessary to build up a reputation for reliability and business probity in order to gain and hold public favor.

In December, 1810, JONATHAN G. W. TRUMBULL of Norwich, Conn., a grandson of Connecticut's Revolutionary War Governor, became the first Hartford agent and the first local agent of any insurance company in the State of Connecticut. A

man of integrity himself, he had faith in the Hartford's promise. He was willing to offer the protection of Hartford policies, countersigned by himself, to his friends and neighbors. Agent Trumbull made no mistake. Today, after one hundred and twenty-five years, the Hartford's organization contains more than 17,000 agents located in all communities of any size in every State of the Union and in Canada. These agents believe in the soundness of Hartford protection and now sell Hartford insurance covering any property loss however caused against which insurance may be lawfully effected.

The Hartford's great business could never have been built up without a record of performance back of the promises its agents sell. Through five wars, seven panics, and every conflagration this country has known, the Hartford has paid and paid in cash.

Its 125th anniversary finds the Hartford firmly behind its contracts, as it has constantly been since 1810—witness the conflagrations at NEW YORK in 1835, at ST. LOUIS in 1848, at CHICAGO in 1871, at BOSTON in 1872, at BALTIMORE in 1904, at SAN FRANCISCO in 1906.

If you want Hartford nation-wide insurance, or if you are insured in the Hartford and while away from home suffer a loss, call any Western Union office in the United States, or the Canadian National Telegraphs, in Canada, and you will be given the name of the nearest Hartford Agent. If a broker handles your insurance, ask him to procure for you a Hartford policy.



HARTFORD

THE HARTFORD FIRE INSURANCE CO. • AND THE HARTFORD ACCIDENT and INDEMNITY CO.

HARTFORD • CONNECTICUT

THE ONE HUNDRED AND TWENTY-FIFTH ANNIVERSARY YEAR

LOWER COST PER TON MILE

DUE TO FIRESTONE EXTRA CONSTRUCTION FEATURES

QUESTION No. 1—"Will the non-skid tread give me the greatest traction and protection against skidding?"

ANSWER—The patented construction feature of two extra layers of Gum-Dipped cords under the tread makes it possible for Firestone to use a wider, flatter tread with higher shoulders, that puts more rubber on the road. This, combined with the scientific non-skid design, gives greatest non-skid safety and traction ever known.

QUESTION No. 2—"Is the tire body protected against destructive internal heat, the chief cause of premature tire failure?"

ANSWER—Every cord in Firestone Tires is soaked and saturated in pure, liquid rubber by the patented Gum-Dipping process. This process, not used in any other tire, soaks every cotton cord and insulates every strand, preventing internal friction and heat, giving extra strength, longer life, greater dependability.

QUESTION No. 3—"Will the tread give me long wear at today's higher speeds?"

ANSWER—A new and tougher tread compound developed by Firestone gives you longer wear at lower cost per mile, even at today's higher speeds.

Call on the Firestone Service Store or Firestone Tire Dealer in your community today. Let him tell you about the exclusive construction features of Firestone Truck and Bus Tires which will give you lower operating costs and greater safety.



OLDFIELD TYPE
Gum-Dipped
The Tire That Taught
Thrift to Millions



SENTINEL TYPE
Volume Production
Tire for Light Trucks

★★★★★ Listen to the Voice of Firestone—featuring Richard Crooks, Gladys Swarthout, or Margaret Speaks—every Monday night over N.B.C.—WEAF Network.... A Five Star Program

AUTO SUPPLIES AT BIG SAVINGS

BATTERIES • SPARK PLUGS • BRAKE LINING • FAN BELTS • DITCH LIGHTS • LOCKS



REAR VIEW MIRRORS • LAMPS • REFLECTORS • FLARES • RADIATOR HOSE

HIGH SPEED TYPE

Gum-Dipped

GREATEST TIRE EVER BUILT FOR ALL-ROUND SERVICE, UNEQUALED FOR HIGH SPEEDS and HEAVY HAULING

Firestone

Contents for July . . .

Obsolescence, that ol' devil who persistently plagues plant managers and accounting staffs, is exacting fat tribute from American cities through hidden levies on the tax payers.

Page 9

The Fourth of July, if patriotism were rated by perception of its responsibilities in this ordeal of faith and courage, would be nationally observed by a general resort to independent thinking.

Page 13

The TVA, it appears, has hocused its books in its own interest to the tune of \$900,000 a year. . . . If they had caught a private utility doing this trick, I believe they would roundly denounce it as dishonest.

Page 15

Harper Sibley, new president of the Chamber, says: "We protest against the vast, planned control over every man's affairs from the bureaus in Washington. We do not believe that the wise and efficient federal regimentation of business is within the bounds of human ability."

Page 19

A Constitutional Amendment is proposed tentatively by the President to give Federal Government the power to control industry. He does not yet stand four-square for it but he is leaning toward it. The professional liberals want it.

Page 22

A Serve-Yourself Laundry has opened in Fort Worth. Housewives bring the family washing, pay 35 cents and get the use of an electric washer, current, soap and water.

Page 24

Communism is anathema in this country—but are we barring the back door against it and, at the same time, inviting it in at the front door dressed up in other clothes?

Page 25

Social Improvements are not commanded, but created. The difference between politics and industry in this matter is that industry cannot just make a speech about it and consider the thing done.

Page 28

The Barometer of Business moved slightly lower in May. The line for five months portrays a leisurely retreat.

Page 30

A New Safety Glass bends like sheet steel, is highly resistant to heat and breakage.

Page 32

The Wagner Bill would enable a union which induced an employer to sign a closed-shop agreement to force all employees to become members of the union or forfeit their jobs.

Page 36

The Banking Bill, according to Winthrop W. Aldrich, would grant to a board, which might be under political control, powers which are dangerously great.

Page 48

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Volume 23



Number 7

CHAMBER OF COMMERCE OF THE UNITED STATES

MERLE THORPE, Editor and Publisher

Managing Editor, WARREN BISHOP
Associate Editor, RAYMOND C. WILLOUGHBY



Business Manager, J. B. WYCKOFF
Director of Advertising, E. V. THOMPSON
Circulation Manager, LAWRENCE F. HURLEY

GENERAL OFFICE—Washington, United States Chamber of Commerce Building.
BRANCH OFFICES—New York, Graybar Bldg. San Francisco, 433 California Street. Dallas, 1101 Commerce St. Chicago, First National Bank Building. Atlanta, Chamber of Commerce Building.

As the official magazine of the Chamber of Commerce of

the United States this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers. SUBSCRIPTION RATES: Three years, \$7.50; one year, \$3.00. Canada: Three years, \$9.00; one year, \$3.50. Please notify us promptly of change of address—NATION'S BUSINESS, Washington, D. C.


 INTERNATIONAL

From the Long Road to the Job

● In a spectacular driveaway, 44 International Trucks were recently driven from the factory at Fort Wayne, Ind., to Graham Brothers, Inc., producers and distributors of building materials at Los Angeles. Most of these trucks are powerful units for six-wheel and other heavy-duty service. In this striking photograph two of the trucks are seen on the job. . . ● In the same profitable manner International Trucks are serving the public everywhere with their stamina and their *lasting economy*. Let an International branch or dealer *demonstrate* these trucks to *you*. Sizes from $\frac{1}{2}$ -ton light delivery to heavy-duty dump and tractor trucks. International chassis prices, \$400 up, f. o. b. factory.

INTERNATIONAL HARVESTER COMPANY

606 S. Michigan Ave.

OF AMERICA
(INCORPORATED)

Chicago, Ill.



INTERNATIONAL TRUCKS

WHAT PRICE CLEANLINESS?

"CLEANLINESS is next to godliness" we've been told from the cradle,—not entirely as an incentive to more energetic wielding of the bath-brush, but as one of the wise old precepts by which we shape our lives.

To be sure, this venerable maxim is trite; constant repetition will take the edge off any remark. But it is none-the-less apt. Applied to personalities, cleanliness is very close to godliness; and the same quality, applied to metals, is not far away from efficiency—the mechanical equivalent of godliness.

We have yet to see the industrial operation where greater cleanliness was not accompanied by marked benefit,—either in the morale of the men, the efficiency and life of equipment, the cost of the operation itself, or the quality of the product. If cleanliness is inherent in the metal from which the equipment is fabricated, so much the better. Unquestionably, in the permanently clean, lustrous strength of Allegheny Stainless Steels lies one of their chief reasons-for-being.

Of course, cleanliness can be acquired in other, baser metals; but at what cost of rubbing, scrubbing, scouring, washing, plating, polishing, painting,—all the manifold tasks that come under the general head of "cleaning up"? *How much better, for example, the simple, low-cost job of keeping Allegheny Metal bright and shining!*

That is why large tonnages of Allegheny Steels are used in the canning, packing, dairy, paper, oil, chemical, transportation and building industries, and in hospitals, hotels, restaurants, etc. It is also an excellent reason why the possibilities of these time-tested stainless steels should be carefully investigated by all industries.

.....

ALLEGHENY METAL—the time-tested stainless steel of universal application—and other Allegheny corrosion and heat-resisting steels are exclusive products of Allegheny Steel Company, Brackenridge, Pa., who also manufacture electrical sheets, auto body sheets, metal furniture sheets, black sheets, castings, pipe, and boiler tubes; whose products are carried in stock by all Jos. T. Ryerson and Sons, Inc. Warehouses, by Union Hardware & Metal Co., Los Angeles, and by American Brass & Copper Co., San Francisco.

Allegheny Metal is licensed under Chemical Foundation patents 1,316,877 and 1,339,378.

ADVERTISEMENT

Through the Editor's Specs

Horse sense for stable lives

WHAT Ida Tarbell wrote about the Standard Oil Company back in 1904 made lively reading. Through a woman's magazine she is now telling her countrymen that the distress of today is a "very bad spot in the upward road America has been traveling for about 150 years. One strong reason for the faith of the average American," she says, "is that he senses that the best elements of the country, rich and poor, government and industry, want him . . . to have a better and more stable life than he is getting. He believes that they are all working to see that he gets it."

However acute his senses, it would seem something of a service to suggest to him that he is in a way of being torn asunder by such hearty competition to give him light and leading. Admirable as may be the state of unity in the uplift movement, the very vigor of good intentions, translated not wisely but too well, may prostrate the beneficiary. What the average American thinks of the new models in citizenship is still a puzzle. On past performances he is not impervious to the forces of reform. It's the farces that shake his faith.

Other days, other praise

IN the happy days when judgments were less obscured with political expediency business was regarded as a good citizen, a gentleman, the salt of the favorably known earth. To their cost, the public utilities have discovered the capriciousness of praise. What David Lilienthal, TVA director, wrote six years ago might stand as a memorial to the fickleness of favor. In the *Columbia Law Review* he said:

. . . the spread of rural electrification, the amazing advances of telephony, the rise of superpower systems—these and many other technological developments so intimately related to public welfare are directly attributable to the efforts of the holding company . . . to the holding company must go the credit for the unprecedented flow of capital into the public utility industry, making possible extensions and improvements of service.

Conspicuous and immobile, the utilities meet every specification for a public whipping boy. Their rates touch millions of customers. Even local politicians can make an issue of their services. There was a great to-do in Administration quarters about codes for the gas and electric industries, and eventually codes were sweated out. They were submitted and hearings held. They were never approved by the President.

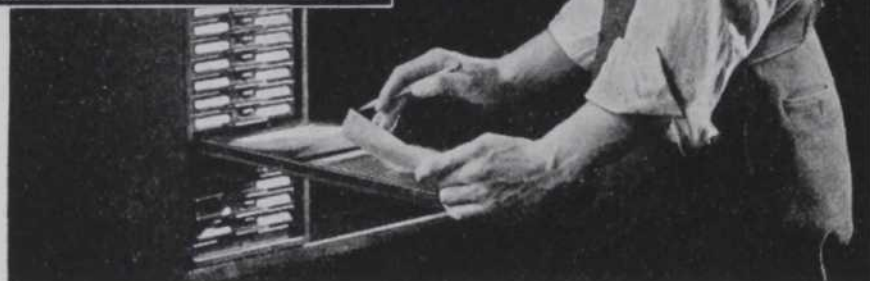
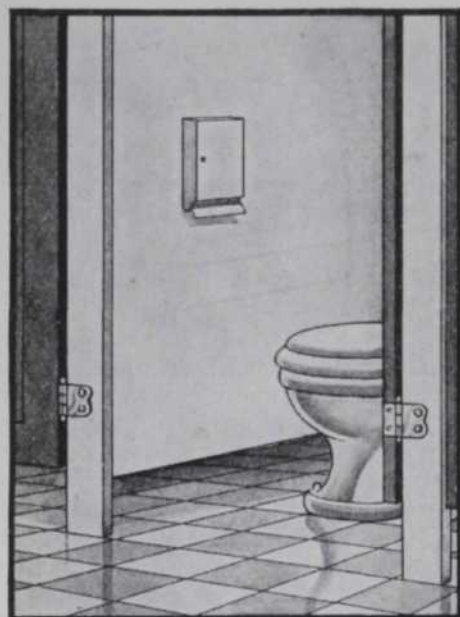
The two industries voluntarily operated under the President's Reemployment Agreement. They put their hearts into the job of stimulating employment and recovery. The only recognition of their efforts in spending \$950,000,000 in 1930, to check the depression and revive business, they feel, was a rebuke from the New Dealers in the form of government competition, loans and grants from the PWA to municipalities to build power plants in competition with existing private utilities, and the Wheeler-Rayburn bill to abolish holding companies.

Balm for disillusionment appears in the Federal Trade Commission's recent itemized revelation of advantages which have accrued through the public utility holding company form of corporate structure. Whatever the position of the Commission's tongue with regard to its cheek, there is a chilling mortuary air about the word *corpus* when used by government authority.

Taxes take a double toll

TA X payments, as business is learning to its cost, require double entry bookkeeping—the tax itself and the price of compliance with the numerous and complicated laws. A firm operating on a national scale is confronted with a puzzling variety of state and local tax schedules. To find that the cost of compliance is greater than the tax paid is not a rare experience. The Merchants Association of New York proposes to do something toward simplification. In cooperation with the American Management Association, it is digging up

ONLIWON CABINETS IN THE WASHROOMS



MEAN REAL SAVING IN TISSUE COSTS

IN a recent national survey, it was pertinently shown that those concerns with Onliwon Tissue Cabinets effected real savings in tissue costs. That's only natural because the Onliwon dispensing feature discourages wastefulness in many ways. The Onliwon Cabinet can be refilled when partially empty, but a partially used roll can only be replaced by throwing it away and substituting a full roll. Onliwon also puts an end to costly source of plumbing troubles because it does not have the cardboard core found in all rolls.

It's a more sensible, convenient way to dispense tissue, too. The Onliwon Cabinet is neat in appearance. It presents two full-size sheets for ready use at all times. Yet the remainder is protected against dust, dirt and unnecessary handling in a way to discourage wastefulness.

Onliwon Tissue is soft, properly absorbent, yet strong enough to insure real safety. All these are factors that have built up a roster of more than fifty thousand Onliwon installations. And proved economy has kept this better tissue dispensing service in use ever since it was originated by A.P.W. thirty years ago. On the basis of this definitely established economy, the number of Onliwon installations has been growing steadily year after year.

If your own washrooms are not already Onliwon equipped, it will pay you to find out more about this common sense way of reducing overhead. An A.P.W. representative will gladly call at your request to talk the matter over. If he is not listed in your phone book, write to A.P.W. Paper Co., Albany, N. Y.

A.P.W.

the facts with a view to making recommendations.

Attention was drawn to the burden which compliance with the tax laws is imposing upon business, when Representative Gifford, in March, 1934, gave an estimate to Congress that, in 1930, the cost of preparing and finally determining federal income tax returns alone was \$400,000,000, in addition to the tax paid.

"Since 1930," the Merchants Association report which was signed by Laurence A. Tanzer, chairman of a special committee, declared "the federal tax laws have become far more complex, and the processing taxes and various selective sales taxes have been enacted, all involving an increased cost to the taxpayer in determining his federal tax liability. It seems probable, therefore, that the present cost of complying with all federal tax laws exceeds \$600,000,000. It seems reasonable to assume that the cost of preparing state and local tax returns in the same manner is equal to and perhaps greater than the cost of complying with federal tax laws. If that is true the cost of determining all tax liabilities exceeds a billion dollars."

Sharing the wealth

ADVOCATES of new ways to share other people's substance and savings agree on one point, whatever their differences as to methods and degrees—they ignore the distribution of wealth through the exchanges of goods and services inherent in a free economy. But more, they miss or reject the implications of the ascending curve of taxes in all government jurisdictions.

How effectively the job of sharing is being done within the present framework of legislation is told by James W. Gerard, former United States Ambassador to Germany. This is his experience:

I bought a few shares in an honestly managed oil company and what do I find?

Last year the company received from the sale of its products \$223,406,132.50. From this is to be deducted operating expenses of \$139,072,814.28 and also a sum according to the practice established by the Government for depreciation of plant, abandoned leases or wells and depletion, because you know an oil or mining company annually is eating up, as it were, its own wells or mines and that exhaustion has to be provided for if the company owning the wells or mines is to keep its capital intact, so \$31,192,196.01 is deducted for this, leaving \$53,141,122.21. Now, from this we deduct the taxes paid by the company during the year, amounting to the enormous sum of \$51,154,298.85 for federal, state and local taxes.

What it means as a fiscal operation is that of every dollar of profit made by this company, 96 cents was paid out in taxes. Mr. Gerard asks a bit

plaintively, "Don't you call that sharing wealth?" If the shorn stockholders had their say, they probably would accept the nomination with much harder names.

Trade winds from the west

OUT where the dust begins, dealers in air conditioning apparatus have observed a lively increase of interest in weather control devices. Prospective customers include factories, which have found dust clogging machinery, sometimes to such a degree that they have been forced to shut down; department stores and other retail and wholesale establishments, where trade has fallen off and valuable stocks have been damaged; hospitals, where dust has been a particular handicap to patients suffering from asthma and other allergic disorders; banks and offices, where dust conditions have minimized work efficiency, and owners of private homes, who have experienced not only damage to valuable furnishings, but also extreme degrees of personal discomfort from dust entering their homes.

No need to labor the proverb about the bestowal of fortune by the capricious blasts of chance. As industrial science finds effective ways to temper the unpleasant moods of nature, its discoveries define new markets—a compensation beneficently apart from the economic equilibrium indicated by belief that one man's gain must be another man's loss.

Tax relief by modernization

OBSOLESCENCE, that ol' devil who persistently plagues plant managers and accounting staffs, is exacting fat tribute from American cities through hidden levies on the taxpayers. What the citizen is paying for antiquated facilities is a novelty in its own right. A hypothetical state of affairs is defined by the Aluminum Company of America.

It is a beautiful city, an ambitious city but it is pathetically debt-ridden. Municipal properties are wearing out because it costs so much to keep them up. The municipal street cars are pounding the streets to pieces. And the cars, built 20 years ago, cannot maintain a schedule that will attract profitable traffic.

The Department of Public Service is cutting down because garbage, cleaning, and maintenance trucks are so expensive to operate.

There is a traffic bottleneck at the Main Street bridge, and the debt-service on a new bridge would be the proverbial straw.

Most of the citizens have forgotten what well painted, well protected municipal structures look like.

The city we have in mind is looking for an answer to these problems—an answer so fundamental that it will ease the tax-burden.

With diagnosis so readily con-

A New Concept of MARKETING



● It is an accepted fact that in business today there is need for a new sense of values to be applied to the marketing of commodities.

Business has discovered that this new sense of values must include methods for establishing a proper balance between the cost of labor and the cost of its product, methods for creating demand, and, what are equally important, methods for supplying this demand by efficient handling and distribution through the proper channels of trade.

The value of location, therefore, cannot be over-emphasized. A manufacturing plant must be located strategically with reference to its labor market and source of raw materials. Departments for marketing the commodity dealt in must, on the other hand, be situated so as to make effective, economical use of modern distribution and merchandising facilities. There is one district at the principal gateway of America—a district that is the result of years of intensive study and development—**LOWER MANHATTAN COMMERCE CENTER** on Manhattan Island—where all means of commercial and industrial transportation are centered within a radius of a quarter of a mile.



Coordinated with its unique location and transportation advantages are special shipping and delivery facilities. A group of over forty buildings specially designed to meet the most exacting requirements of modern business provides ideal commercial and industrial housing.

Those interested are invited to write for full information about buildings and services available in "COMMERCE CENTER."



157 CHAMBERS STREET. NEW YORK CITY

LOWER MANHATTAN COMMERCE • CENTER

HUDSON—VARICK STREETS

(This is the first in a series of advertisements on Lower Manhattan Commerce Center)

. . . Too bad they won't do it . . .



Up on that shelf are probably several things this customer wants and would buy. But she didn't see them. Didn't think of them. And she's certainly not going to do what she's doing in this picture. So somebody loses a sale.

How many sales are *you* missing by making people *ask* for your product to get it? Each day thousands of people walk out of stores with products they didn't come in to buy. These *extra* sales, amounting to millions of dollars a year, are created for manufacturers whose products are intelligently merchandised.

If you think you are not getting your share of this extra volume, has it occurred to you that the American Can Company might be of help? Has it occurred to you that a company specializing in two basic merchandising weapons—packages and point-of-sale displays—must have quite a merchandising background?

Possibly in our broad experience, with thousands of products in almost every field, there may be something of value to you. We should be glad to work with you and contribute what we can.

Why does American Can Company concern itself with problems of retail merchandising?

Our reasons are the same as yours. We cannot sell more packages than you sell for us—you cannot sell more than the consumer buys. The consumer is our common goal.

AMERICAN CAN COMPANY

230 Park Avenue · New York

firmed by ordinary observation, the remedy for municipal decadence is defined by the opportunity to improve budgetary positions with improvements contributed by industry. There is no falser economy than the maintenance of outworn, outmoded facilities ostensibly operated and administered in the public interest.

Progress begets progress

IN ITS main job of providing the world with individual transportation, the automotive industry has accelerated the pace of many other industries and prodded science into a lively tempo of civilizing contributions. What this broad stimulation means to chemistry, for example, is defined by Dr. Edward Ray Weidlein, director of the Mellon Institute for Scientific Research:

The automobile manufacturer's demands for a finish finer than the old coach maker knew and infinitely faster in its application has revolutionized the paint and varnish industry.

Because the builder of automobiles in Michigan could not afford to tie up his storage with slowly drying paintwork, the corn belt farmers of Indiana and Illinois have been given a new market within the past ten years. No longer dependent on ethyl alcohol for our solvents, we have taught microscopic organisms to make them for us from the farmer's corn.

The demand for newer, stronger and cheaper textiles gave the incentive to research into the possibilities of cellulose. The automotive industry is indirectly responsible for rayon, which now goes into one-fifth of all the hosiery produced today as well as into 200 miles of synthetic sausage casings used daily by packers.

Until 30 years ago, petroleum was important to civilized man chiefly because it was his main source of light. Now we get our light by more efficient means and use the petroleum chiefly to supply fuel for automobiles.

The impetus alone given to the extraction of sugar from corn has led to discovery of new tanning solutions, textile processes, pastes, tin-foil manufacturing processes, glues, soaps, paper and asbestos treatments.

Familiar as the latest handiwork of the automobile industry quickly becomes on the world's highways, its effect in advancing knowledge is rarely understood.

Courage makes its chance

HOW old is too old to come back? Not 78, says James M. Washburne, New York man who made and lost a fortune in Martha Washington candy.

Six years ago business was booming. He owned 15 Martha Washington candy stores in Manhattan with a factory to make the candy. The largest store was on Fifth Avenue. He paid \$18,000 a year for a space

nine by 18 feet and took in as much as \$1,000 a day.

Eighteen years ago he began business with one store. Six years ago he and his wife lived in a nine-room apartment and paid \$4,700 a year rental. They owned two houses and a farm in New Jersey. Three months of the year they spent on vacation at Palm Beach.

Then business went sour. One store after another shut its doors. Mr. Washburne would not give up. He had an idea for a new sort of candy. Now he is making and selling it. It is made from vegetables.

Every day he can be seen in Times Square, suitcase in hand, a sign about his neck, hawking his wares. His example defines more than a triumph of hope over experience. It asserts the persistence of faith against the rigors of time and change.

Trouble on the toy front

REPORTS from the Chicago toy front define a lively competition for the world's Christmas trade. A bogey as terrifying as any Jack-in-the-box has reared its head in Japan, and domestic workshops profess to see a realistic threat to their business.

For several years Chicago's toy output has been valued at about \$150,000,000 a year. According to the Chicago Association of Commerce, one company last year shipped 400,000 toy automobiles to England alone. Other shipments went to Germany, once the ruling power in toyland. Another Chicago firm has sold more than 9,000,000 miniature trains in the past quarter century, some of its wares finding markets in Borneo, India, South Africa, and Iceland.

Chicago's 50 toy factories have specialized in mechanical playthings. In addition, they have made their city the domino and checker and the toy block capital of the world.

Add to all of these the tinker toys made in Evanston, the steel toys made in Moline and the electrical playthings made in Freeport, most of which clear through Chicago, and it is easy to see why Santa Claus is worried about the growing threat from Japan.

Economics begets literature

A FIRST prize for vigor of expression should go to Frank G. Philgaw of Crawfordville, Arkansas, who signs himself as "the poorest man in the South," and whose letter was read into the Congressional Record by Senator Hastings of Delaware. He says of the farmers' descent on Washington:

If there was one real dirt farmer in that whole bunch, I will eat up hell raw by the acre.



More than 6,000 EXHIBITORS from 22 countries

will exhibit their wares at the Leipzig Fall Fair—opening August 25th. Five thousand of these exhibits are in the *General Merchandise Fairs*—covering every possible line for both department stores and specialized stores. One thousand firms—in the *Building, Home and Industrial Equipment Fair*—will have exhibits of interest to manufacturers, engineers and architects.

Whatever your line of business, you should cover the semi-annual Leipzig Trade Fairs and take advantage of these unusual opportunities for profitable buying. The trip can be made comfortably in three weeks, and for as little as \$350.00.

The Spring Fair (held in March) saw an increase of 82% in American Buyers, over the previous Spring Fair.

Although 37 gigantic Fair Palaces and 17 Exhibition Halls are required to house all these exhibits, the lines are so conveniently grouped and displayed that you can cover all of your interests in less than one week's time. With 700 years of experience, every requirement of buyer and seller has been met and solved.

Special courtesies and travel discounts are available to Fair visitors. Let us tell you about them. Please write for Booklet No. 33, giving a more detailed picture of the Fairs. Our New York Office—or an Honorary Representative in your vicinity—will be glad to co-operate in every possible way. Leipzig Trade Fair, Inc., . . . 10 East 40th Street, New York City.

LEIPZIG TRADE FAIRS



When a tire bursts, this can save your lives!

So put LIFE GUARD TUBES in the tires on your family car

You see illustrated here a cross-section of a new kind of inner tube for automobile tires.

It has two air chambers, one inside the other, with a tiny vent between.

The whole purpose of this special tube is to give you *that vital interval of time after a blowout* that you need to bring your speeding car to a safe stop under control.

It does that when a tire bursts by retaining a quantity of air under slow release in the inner chamber, so that the "let-down" effect is somewhat like that of a slow leak.

We call this safety tube the "LIFE GUARD," and hundreds of tests — in which 1300 different constructions were

developed — show it to be accurately named.

We have spiked, slashed, exploded thousands of tires in these tests, on cars speeding at 50, 60, 70 miles an hour and better.

In not one instance has the LIFE GUARD failed to enable the driver to avoid swerve and swing in that critical instant after a blowout when life or death hangs by a hair.

In *every* instance it has given the driver that precious time he needed to get his swift-moving car under control and slowed down to a safe straight-line stop.

LIFE GUARD Tubes are neither cheap to build nor cheap to buy.

Their mission is not to save money but to save life.



THE GREATEST NAME IN RUBBER

GOOD YEAR

NATION'S BUSINESS

★
A MAGAZINE
FOR
BUSINESS MEN
★

"What So Proudly We Hailed—"

IF THE American way of life were to be judged on the Fourth of July by the temper of the times, the conclusion would be inescapable, as one grinder of headline grist points out, that the only capacity our business leaders have developed has been to organize periodic economic collapses. Our farmers are failures. Those of us who work are oppressed, and those who don't are pauperized. Our statesmen are stupid, venal or hired men or predatory octopi. Our railroads and public utilities constitute a majestic conspiracy to rob the entire people *en masse*. Criminals—even murderers—are the overlords of most of our cities. We owe ourselves so much money that the country is practically bankrupt, and what we don't owe we have lent to Europe, much to the amusement of that cynical and insolvent continent.

Another melancholy commentator itemizes current calamities. Natural resources are vanishing faster than nature can replace them. The West is blowing away. Cattle and crops are doomed. Enormous areas are becoming desert. The farmers are running away, the farms are chasing the farmers, and the mortgages are chasing the farms. The spots on the sun bode no good to a humanity already tormented beyond its strength. By the distortions of domestic myopia, old-fashioned patriotism is put in a way of apology, and pessimism plays upon the people to

Admire whate'er they find abroad,
But nothing here, though e'er so good.

All that simple faith once held dear and true turns out to be a snare and a delusion. Whatever worth is visible is only a mirage. Uncle Sam is Uncle Sham.

It is by the very accent of woe that a sense of

proportion asserts itself. On July 1, 1934, there were 1,973,000 active industrial and commercial concerns in the United States. Only 21.75 per cent had a capital investment of \$10,000 or more. Most of these firms are still in business. They include every aspect of the economic life of 128,000,000 people. To doubt the good citizenship of the business community is to doubt the good citizenship of the millions of respectable and serviceable individuals who give it form and direction, dimension and usefulness, life and meaning.

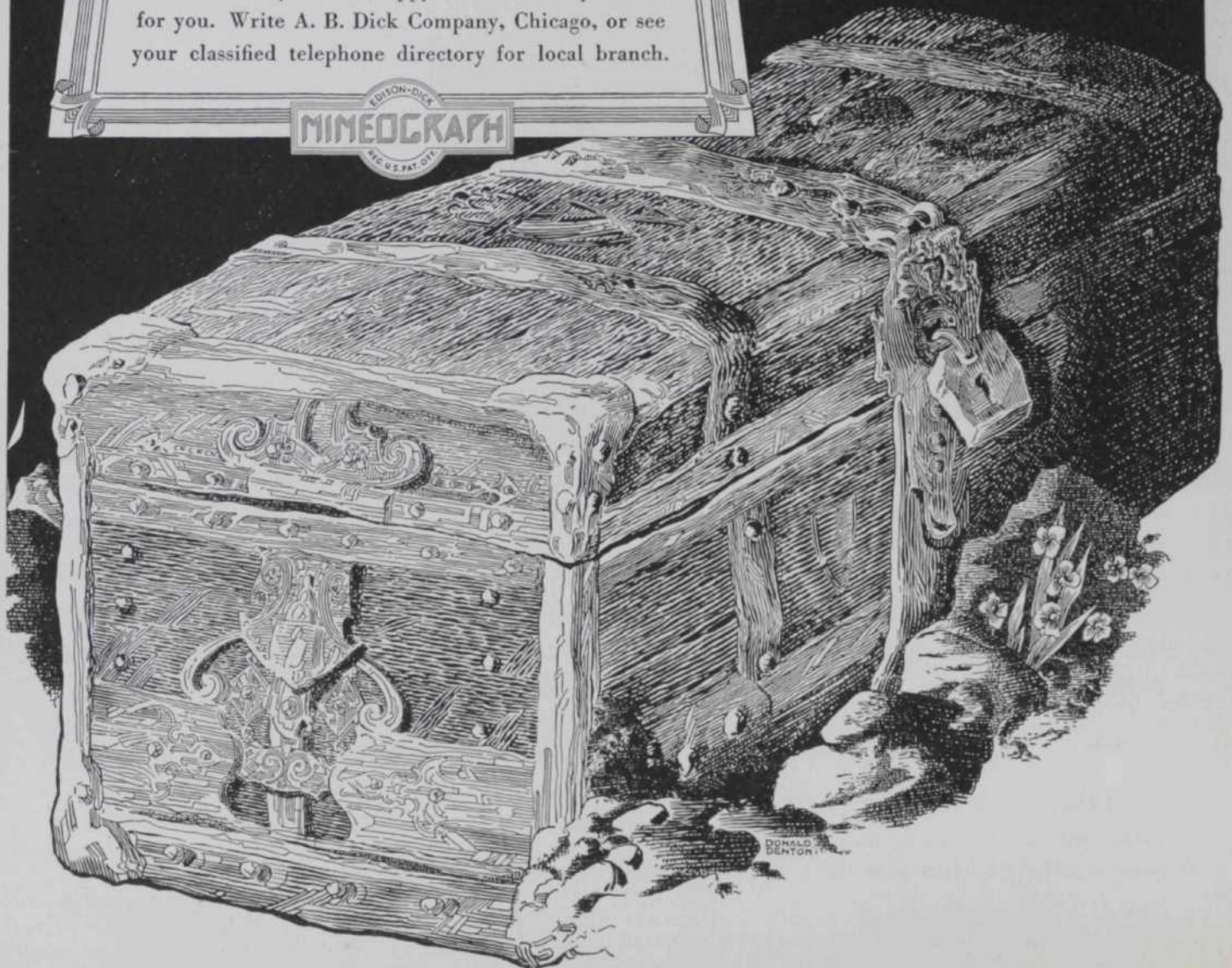
Business is no cold abstraction, no laboratory monster, no creature of devilish incantation. In a very real sense, business is civilization. It serves. It exhorts. It thrives. It changes. It suffers. It sustains. It aspires. It is as vulnerable as the human nature with which it is staffed. Each of its identifying labels signifies the composite energy and repute of its constituent human beings, no more, no less, the clay which is the only material of which to make a habitable and tolerable world. To argue that irregularities, abuses, and breaches are decisively characteristic of business is as logical as to argue that the prisons, reform schools, asylums and pest houses of this country are the ruling keys to an understanding of its history or its ideals.

All well enough for Fourth of July oratory and fireworks to give off their usual showers of sparks. Were patriotism rated by perception of its responsibilities in this present ordeal of faith and of courage, Independence Day would be nationally observed by a general resort to independent thinking.

Muree Thorne

WHAT IS WITHIN

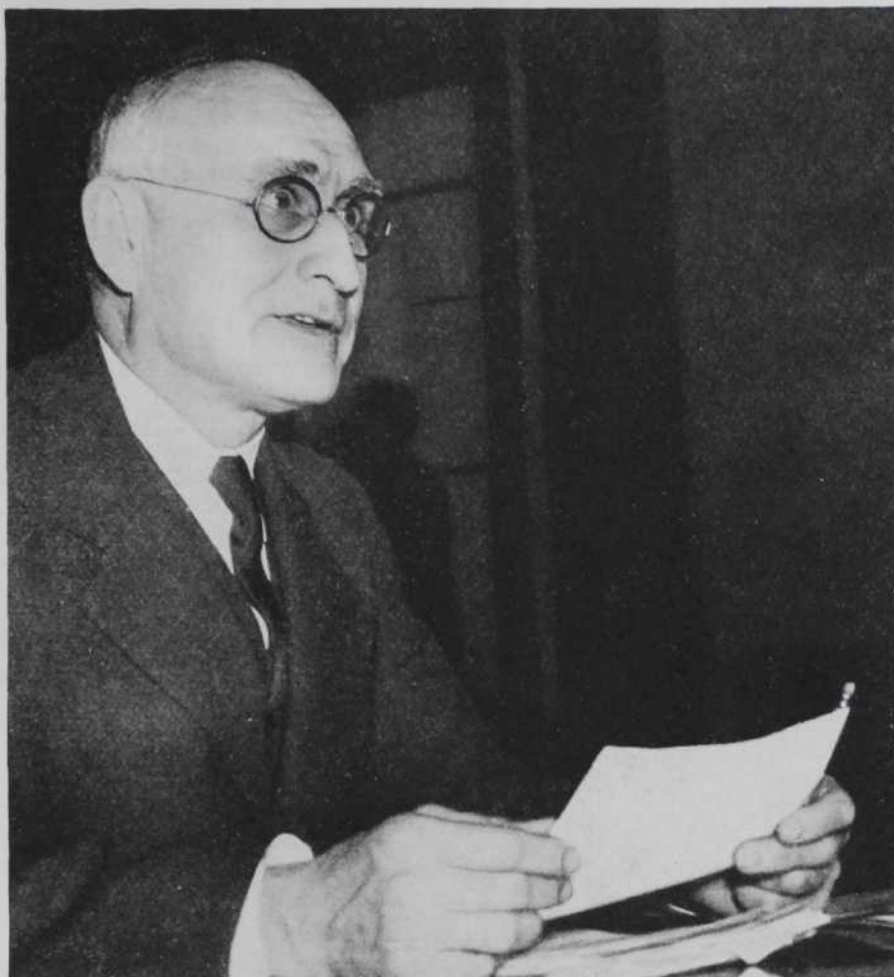
Mystery sometimes lurks deep within simple things. What is the secret of the supremely fine work done by the *cellulose-ester* stencil in duplicating all kinds of line drawings and letter work, rapidly and at low cost? A decade of scientific research produced it. It does Mimeographing as it was never done before. It has brought art to the typewritten page. And it has given the Mimeograph Process new ranges of usefulness. An exclusive Mimeograph achievement! Within this dark blue sheet may lie the happy solution of a problem for you. Write A. B. Dick Company, Chicago, or see your classified telephone directory for local branch.





The Lawless Honesty of TVA

By HERBERT COREY



Arthur E. Morgan, who heads TVA

UNDERWOOD & UNDERWOOD

AN ASSAY of the personalities in control of the Tennessee Valley Authority by a man who has spent much time studying this organization not only in Washington but in the Valley itself. Next month, in a second article, Mr. Corey will discuss the social aspects of the Authority's activities as revealed by an extended tour of the Valley

life. If that seems to cast a somewhat invidious shade upon David E. Lilienthal it is not so intended. He is a lawyer and possesses the merits and demerits of that profession. The two Morgans have spent their lives in selfless devotion to the common good. Arthur E. Morgan was an engineer on projects for the protection of health and safety, and his subsequent and most successful career as president of Antioch College in Ohio was a natural outgrowth of his public spirited activities. Harcourt A. Morgan is an entomologist of national distinction and out of his service grew a 30 year long connection with Tennessee's state colleges.

They are elderly men whose lives have been shaped by humanitarian impulses. No one would suggest that either is impractical. In fact, either can and does drive a bargain hard and sharp as a ten-penny nail. But they are somewhat unworldly. They are idealists possessed of a tremendous driving force of conviction and an absolute inability to see the other side of the case. Like other men who have spent years in addressing immature intellects they are impatient of opposition. It seems unintelligent obstruction to them.

When I say that they are so certain of the wisdom of their plans and the absolute honesty of their acts and purposes that they have become self-righteous I know that statement needs tempering. They are tender and kind. I would absolve either from the suggestion of any selfish ambition. With all their hearts they believe that

I KNOW the three members of the Tennessee Valley Authority. I think I may say that I know them well. I am not on terms of intimacy—barely that of acquaintance—but I have talked with them, eaten with them, read what they have said and watched what they have done since they took charge of that extraordinary experiment in state interference in the Tennessee Valley.

As men I admire them. I almost feel an affection for them. In their capacity as administrators and propagandists and evangelists for what they hope will be a new order I find in their acts and words an insincerity which is the more frightening because it is absolutely and honestly sincere.

Two of them, I think—the two Morgans—are the most transparently honest men I have ever known in public

they have been performing a great service to humanity.

Lilienthal is no less honest, but he is only 36 years old. He has not been matured and mellowed as have the two Morgans by years of almost evangelistic service. He is as convinced as they are that what he has done in the Tennessee Valley has been eternally and incontrovertibly right; but the impression he produces on the observer is that of a snappy young business lawyer, alert to seize any opportunity to advance his side or to take advantage of a weakness or oversight of his adversaries. The three members of the Authority have at all times acted as a unit. Whatever has been done has been by the will of the three. But it has seemed to me that any one of the acts of the TVA to which exception has been taken might have been prompted by a conviction, on the part of the Morgans, of an ultimate righteousness that amounted to sanctification; while Lilienthal—equally convinced of the excellence of the end to be attained—would concur because the means promised success. When challenged the Morgans say angrily:

Righteousness

"WHAT we did was right."

Lilienthal would be more likely to take the legalistic stand. He might say:

"If we did it, it was morally defensible. But you must prove that we did it. If you prove that we did it, show me that it was against the law."

Safe in the assurance of salvation they have done things which seem to me entirely inconsistent. But if that seems—as no doubt it is—a statement of criticism, I wish again to emphasize the entire, one-track, whole-souled sincerity of the men. Not for one moment have they doubted that what they have done was right. They do not doubt it now. They hold themselves on a plane above and apart from this workaday world. If a private utility were to do any one of several of the things they have done they would say in absolute conviction:

"That was a damnable thing to do."

Of their own act they would say, in utter and almost pathetic inability to understand:

"It was right. We are engaged in a holy work. We must not be hampered by these fiddle-faddling objections. We know we are honest. We know we are doing the best that can be done. Be off with you. Let us alone."

President Roosevelt selected them as members of the Authority for precisely the qualities they have manifested. It was Arthur Morgan who first had the great dream of setting aside a region in which roseate and grandiose plans for the betterment of humanity could be worked out. Something he wrote in the *Bulletin* of Antioch College attracted President Roosevelt's attention.

Harcourt Morgan had not only served the farmers of the Tennessee Valley in the most practical way—he is largely responsible for the high mortality among cow ticks, for one thing—but he was inch by inch familiar with the great region where the experiment was to be tried. Lilienthal was a hard-boiled, resourceful, experienced combatant with privately owned utilities which were to be put under attack.

The act creating the TVA gave the three commis-

sioners all the liberty of action of a private corporation plus the authority of a department of government, with all the right to demand the unquestioning support of the public which the Government has when engaged in good works. The primary object was to establish what President Roosevelt called a "yardstick," by which to establish the cost of producing and distributing electricity, and by means of which the operations of private utilities could be checked.

Other declared objects were the improvement of navigation, national defense, flood control, reforestation, the cure of soil erosion, the betterment of agricultural methods, and the amelioration of living conditions in the Tennessee Valley. The area affected contains 44,000 square miles and 2,000,000 persons. In the secondary and contributing region less directly affected, 5,000,000 other persons lived in fragments of seven different states.

Although the use of the word was rigorously avoided, it was in fact a trial in state socialism. If it had succeeded it would have been a reversal of American political theory and practice. Bills were promptly introduced in Congress, or prepared for introduction, to create other Authorities in other places.

The tremendous significance of the experiment in the Tennessee Valley was not easily perceived by the public because so many of its declared objects, considered apart from any political implication, were wholly good. If it were possible to establish as in a test tube

the precise cost of making and selling electric current under the manifold differences in conditions which exist, the public would welcome it.

Desirable aims

FREIGHT transportation by boat is profitable under conditions such as in Germany. The control of the river system of the Mississippi Valley when the rivers are in flood is a problem of overshadowing importance. No voice will be lifted to oppose the other declared objects of the

TVA act. These things could all be done under the democratic theory of government. Some of them have been done elsewhere. The Tennessee Valley plan is, in fact, an essay into autocracy. It affords the public its first opportunity on a large scale to examine the methods which are an inevitable part of state socialism. It is fortunate for all concerned that it is being conducted by men who are free of personal ambition, of unquestioned honesty, and with established ability in working for the common good. The issue is not darkened by any unpleasant personalities. The statements which follow of the methods pursued by them are taken from the records.

The foremost issue in the public mind was the creation of a "yardstick" by which to measure the cost of electricity delivered to the consumer's meter. The area under TVA control is largely served by the Commonwealth and Southern Company. The TVA began operations in possession of the Wilson Dam and its generating plant, built



Harcourt A. Morgan



David E. Lilienthal

immediately after the war to manufacture nitrates for the national defense. The cost of construction was admittedly high, due to conditions then existing. The plant seems to be in perfect condition. A well built dam deteriorates slowly. The ten generators with their turbines are perhaps not wholly modern in design, but they are entirely efficient. After accounting for certain sales, the net cost of the properties transferred to the TVA was \$132,792,294, according to the audit made by Comptroller General McCarl.

In order to find a "yardstick" worthy of credence, the TVA had promised to take into account every element of cost considered by the private utilities. They must earn a return, if possible, on their investment. It is freely charged—and by no one more freely than by the three members of the Authority—that privately owned utilities write up their investments in order to justify charging rates larger than would be defensible on smaller capital costs. The reverse of this proposition is obvious. If the TVA could write down the value of the Wilson Dam and its satellite works then it could defend low rates based on an unfairly reduced capitalization. Comptroller General McCarl's auditor notes:

"Amount accounted for on books (no break down) \$51,000,000."

This amount is—still according to the Comptroller General's audit—"38 per cent of the property cost."

Estimates vary as to the added cost of post-wartime construction. Mr. McCarl does not go into this. Not all of the construction was done during the high cost period. Engineers say the TVA would be generously treated if \$32,000,000 plus were stricken from the original investment, leaving the Authority to account for earnings on a flat \$100,000,000 instead of the \$51,000,000 it accepts as a true value. Mr. McCarl merely comments on the "apparently excessive depreciated value at which the Muscle Shoals property was taken on the books." This value was determined by the Authority, whose interest obviously lies in placing that value at the lowest possible figure.

There now appears an extraordinary bit of figure juggling. The Comptroller General does not use the word "juggle." He does point out that

if the return from operations is to be properly determined, the reasonable value of all things concerned, including depreciation of original investment, must be taken into consideration. Assuming a very conservative rate of valuation consumption, for example, two per cent, the amount of depreciation, based on the value at which the properties in question were capitalized by the Authority, would be approximately \$1,000,000 a year.

Depreciation is figured low

THAT is to say that two per cent of the admitted valuation of \$51,000,000 would be one million dollars a year and a little more. A private utility would be compelled to show this charge for depreciation on its books. In every state, methods of bookkeeping which utilities must follow are fixed by law. In making up their statement of earnings, on which the rates to the consumer are based, this must be considered. But the Authority, in Mr. McCarl's words:

Is not using the valuation basis for depreciation but instead is basing depreciation on the earnings from the sale of power by charging ten per cent of the gross revenues to operations as depreciation and accumulating the amount of such charges as a reserve for depreciation.

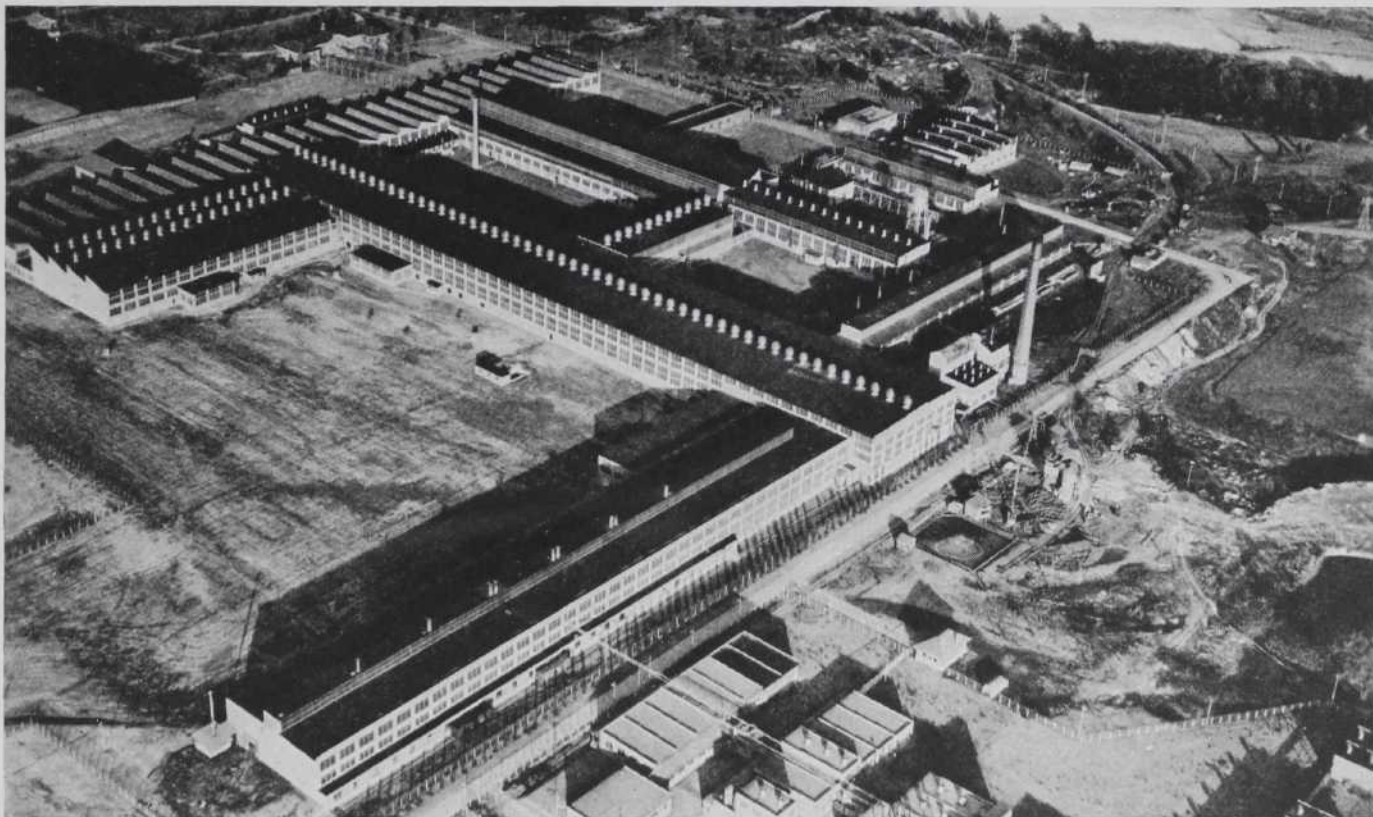
Precisely what difference does this make to the cost of operations, on which the TVA must base the rates it charges consumers? Just this, still in McCarl's words:

"On such basis there has been husbanded to June 30, 1934, the sum of \$82,618."

He observes further:

Such reserve appears to be entirely inadequate. To accumulate a reserve for depreciation on the ten per cent (of gross revenue) equivalent to the amount that would be charged to a valuation basis at two per cent, the gross revenues would have to be more than ten times the present amount, or about \$10,000,000 a year. There is very little basis for assuming that revenues will ever reach such a figure.

In less auditor-like language it appears that the TVA



The fabricating plant at Alcoa, Tenn., built by the Aluminum Company of America, to use power from company developments built on the Little Tennessee River many years before TVA

has hocused its books in its own interest to the amount of, perhaps, \$900,000 a year. That would be the approximate difference between the depreciation charge-off of two per cent against gross revenue and the charge-off which McCarl thinks should be made against the actual property which is depreciating.

I have such a child-like faith in the ability of the three members of the Authority as controversialists that I am sure a private utility caught by them doing a similar trick with its books would be roundly denounced as dishonest. It might be that such a denunciation would be shaped in part by their open doubt of the methods of all utilities. One utility operating in the TVA area at one time arbitrarily added something like \$5,000,000 to its

common stock. This might or might not be explained by the utility as a recognition of the increase in value of the company's properties. I am not concerned about that.

What I do know is that the three members of the Authority in chorus declared that the utility was writing up its capitalization in an effort to wring from oppressed users of current a higher rate which would enable them to pay dividends on watered stock.

The three members of the Authority should know better, but I firmly believe that they do not know better. They have the most desirable ability to close their ears to the other man's argument. I know, if they do not, that regulatory laws only permit a utility to consider the

(Continued on page 44)



Coal producers continued discussing the Guffey bill even in recess

What to Do About Coal?

THE Guffey coal stabilization bill brought two mass meetings of coal operators to Washington. One group, the National Conference of Bituminous Coal Producers claiming to represent 175,000,000 tons annual production, met and agreed to support the general principles of the bill provided it is limited to a four-year period and subjected to other changes in details.

The preceding week another group of operators, the Committee Against Guffey Coal Bill, who claim to represent a production of 200,000,000 tons annually, had sent a delegation to the President and to Capitol Hill to urge defeat of the Guffey bill because it tended to a monopoly by present operators, to increase the price of coal to the public and thereby decrease the use of coal because of the installation of more efficient equipment and transfer of business to competing sources of energy, substantially reduce employment and total wages, promote inefficiency in mining, increase the cost of manufacturing generally, diminish exports of coal, deprive the owners of all functions of management and because it was unconstitutional.

The bill as now written provides for a National Bituminous Coal Commission and district boards to control coal production and prices, forbids certain unfair trade practices, provides for collective bargaining and other labor provisions, and a coal reserve.



PHOTOS FOR NATION'S BUSINESS BY MCAYOY

Walter G. Chrichton, spokesman against the bill

Eugene McAuliffe, of Omaha, opposed the bill



Senator Guffey thanked those coal operators who were supporting his bill



THE new President of the United States Chamber of Commerce talks about the Chamber and its aims while a reporter listens

ONE of Harper Sibley's great-grandfathers founded the publishing house of Harper and Brothers. Another great-grandfather, Hiram Sibley, was the leader of a group of men who were responsible for the little company which was to grow into the Western Union Telegraph Company. A talk he had with Premier Gortchakoff of Russia led to the purchase of Alaska by the United States. A grandfather was chaplain of the Senate, and a great-uncle, Postmaster General. A Harper was mayor of New York. Sibleys were bankers and railroad presidents. The newly elected president of the United States Chamber of Commerce is a big-game hunter and a dirt farmer. In one of his four farms he has 14,000 acres under the plough. In another he has a 40,000 acre pasture.

He has grown up with and in the tradition of great affairs. It would be difficult to imagine him overawed by the holder of important place. No. Not difficult. Impossible. It is also impossible to imagine Harper Sibley meeting even the most embittered adversary with less than dignity. He has that natural poise which is based on frankness and friendliness and courage. He is warmly proud of the Chamber, its history, its membership and the significant part it is playing in current economic history. The recent criticism of the Chamber by partisans stirred him to answer.

"Fair criticism of the Chamber is welcomed," he said. "No progress can be made without criticism. On occasion the Chamber has been and proposes to be a critic. But unfair and untruthful attack upon the Chamber demands a reply."

It was characteristic of Harper Sibley that when he responded to the assault by Harold L. Ickes, Secretary of the Interior, he did not resort to abuse, but to facts. Mr. Ickes had



Mr. Sibley on his California ranch

Introducing **HARPER SIBLEY**

By JOHN CARLYSLE

been heated in his denunciation of the Chamber. In a speech at Birmingham, Mr. Ickes said that it does not represent the rank and file of business in the United States. It "represents the selfish faction of Big Business. The Chamber has recently been dominated by those Wall Street interests that operate on the theory of 'dog eat dog,' 'may the devil take the hindmost'."

Facts as argument

HE continued with what Mr. Sibley described as pages of acid vituperation.

"According to the Secretary," commented Mr. Sibley, "we are ruthless, arrogant, insatiable in lust—"

Mr. Ickes has not responded to his reply. Mr. Sibley spoke as the President of an organization which is neither to be intimidated nor bribed, and which has not and never has had political activity of any sort. It does

not even participate in political discussions. It believes in freedom of speech, but not in license. Its membership is interested in the return of prosperity and order and respect for constitutional and statutory law.

He said that Mr. Ickes had made some gross misstatements.

"Without entering into any argument let me give you the facts as to what the Chamber of Commerce of the United States does actually represent."

He destroyed the lurid picture painted by the Secretary of the Interior. Of the 1,151 chambers of commerce represented in the larger body only 34 are in cities of more than half a million people and 488 are in cities and towns of less than 10,000 people. The smaller chambers have an overwhelming majority in the voting.

"Each organization is allowed one vote for its first 25 members and a vote for every additional 200 mem-

bers up to a maximum of ten votes."

That statement disposes of the bugaboo of Big City control. Mr. Ickes had charged that self-appointed spokesmen had viewed with alarm at the recent session of the United States Chamber of Commerce in Washington the activities of the political party in power. The "self-appointed spokesmen" vanish under Mr. Sibley's examination.

Nothing was rushed through

"AT THIS annual meeting 1,119 delegates were present, duly authorized in writing by their own chambers or trade associations. The resolutions proposed to be dealt with had been sent out in printed form to the entire membership 30 days before the meeting. On a number of questions formal action had been taken by referendum. Moreover, during the three days of the session, the committee on resolutions was at all times ready to hear free and open discussion of each subject. The final vote on the resolutions therefore was not in any way hasty action.

"In these adopted resolutions of the Chamber of Commerce of the United States were voiced the definite suggestions of American business—of the everyday citizen in his working clothes. The time when it was unpatriotic for a man to voice his deepest convictions has passed. By the decisions of the United States Supreme Court he has been made free to act. This is the moment of opportunity for the business man, but with opportunity always must go responsibility. It will be by actions and not by words that he must prove his good faith."

President Roosevelt has said that the major questions now before the country must not be considered from partisan points of view. But Mr. Sibley found that the Secretary of the Interior was "trying to make a political speech, hoping to inflame the passions of our citizens against the so-called selfish interests. I think this is pretty cheap politics. I doubt if our people respect an administration leader who starts out to call names and impugn the motives of any who differ with his opinion."

Mr. Ickes said the Chamber is dominated by "a handful of men in their luxurious offices in Wall Street."

Mr. Sibley calmly examined the roster:

"Eight per cent of these delegates came from large cities. Twenty per cent came from cities and towns of less than 25,000 people. Twenty-eight and one-half per cent came from such states as Georgia, Alabama, Missouri, Kansas, the Dakotas, and the

northwestern states, in which the population is relatively sparse and the interests are largely agricultural, mining and stock raising. These delegates are not the speculators Mr. Ickes would have us believe controlled the Chamber's action. They are truly representative of America's forgotten business man."

Then he examined the action taken at the session of the Chamber. Mr. Ickes said it condemned everything that the Administration has done.

"That was a misstatement," said the newly-elected President of the Chamber, "and, of course, Mr. Ickes knew it."

The precise facts of the Chamber's attitude had been widely published. There had been nothing secretive or clandestine. Some of the things the Administration had done had won its approval. It opposed certain other policies. It is an independent, free-will, thoroughly representative organization which cannot be made into an adjunct to a political machine. The thought foremost in the minds of its members is a return to prosperity and order. There would be no radicalism or Marxism or Fascism in this country if every working man were protected in his right to work at decent wages and every business man knew that his business would not be sniped at by theorists behind every tree.

"We want security," said Mr. Sibley. "Security for every one. And profits. Of course we want profits. It is sheer nonsense to say that the profit motive should be done away with. That is the kind of an idea that has its origin across the sea. It does not fit in hard working, independent, individualistic America. That kind of an idea belongs in a nation made up of bosses and peasants."

A non-political organization

NO HINT of political bias can be found in the recorded actions of the Chamber.

"We urged active support of the effort to frame reciprocal trade agreements. We asked adequate support of the Department of Commerce and the Department of State in the task of promoting foreign trade. We enthusiastically supported the land policy of the Administration, the rehabilitation of the merchant marine, and the orderly and logical plan now in evidence for maintaining the Army and Navy at a level which is sufficient to provide against an emergency. We supported the President's strong position against inflation in the most definite and vigorous manner. Mr. Ickes was not merely inaccurate in his statement but he must have been knowingly inaccurate. He

deliberately misrepresented the attitude of the Chamber."

The Chamber did not blindly follow every new policy which has sprouted in recent years. It does vigorously disagree with certain of the policies and methods of the Administration.

Mr. Sibley made it clear that he sought to voice the sentiment of the members of the Chamber. He did not propose to strike out any new policies in his capacity as President. It was his duty, as he saw it, to speak for the membership, and to voice accurately and vigorously the ideas approved by them.

Voluntary cooperation

"I NEVER had very much use for the man who announces that he is going to clean house as soon as he gets into a new job," he said. "That kind of a man never seemed to me to amount to much. What the Chamber wants is results. We believe that, within the limits of the ordinary rules of fair play and with proper respect for the rights of others, the business man of America must be free to run his own business. We believe in voluntary cooperation. We think that voluntary cooperation can be accomplished. For years we have been outspoken against unfair trade practices. The Chamber was one of the first to denounce child labor. We think the minority employee has the same right to negotiate with his employer that the majority man has. We hold that recent legislation has encouraged needless strife between employer and employee. We do not believe that there is a necessary conflict of interest between the employed and the employing classes. We hold that their interests are in fact identical."

A greater issue has been created by recent acts.

"We protest against the vast, planned centralized control over every man's affairs from the bureaus of government in Washington. We do not believe that the wise and efficient federal regimentation of American business is within the bounds of human brains and ability. Certainly no evidence has yet been offered to prove that federal coercion is possible or practicable."

The Chamber does believe that there are underlying problems which only wise cooperation can meet. In advocating voluntary codes for business, the Chamber held that trade associations are instruments which must be employed to a greater extent than heretofore.

"You know, we believe there is such a thing as a code of honor. We must see that codes entered into vol-

(Continued on page 34)

What's Ahead in Washington

W. M. KIPLINGER Talks of Prospects

Dear Mac: Yes, it's hard on you these days. Hard to run a business in the face of political uncertainties. None too easy to see ahead. Lots of haze on the horizon, visibility low.

But there's no reason for shrugging the shoulders, throwing up the hands and contenting ourselves by calling it a mess. It may be a mess, but we've had others before and we wiggled through.

You'd like to know exactly what's going to happen. Well, you *can't* know—exactly. At least I can't tell you—exactly.

But there are such things as *trends*—political trends, and economic trends, and a mixture of the two. If you had all information on what is going on in all people's minds, all quarters, you could foresee trends exactly. The substitute is to get as much information as possible, as many points of view as possible, and then to foresee trends *approximately*. That's the job for you and me in this little visit.

It's Like a Budget

YOU run your business by a certain amount of forward planning. It may be good or it may be poor. It may be all set down on paper; in this case you call it a budget. Actually

it's a budget of expectations, into which all the different phases of your business fit. You may change it from time to time to accord with new developments, but you always have it as a guide.

It's the same with political forecasting, or foreseeing. You must have in mind a pattern of prospects, an *approximate* pattern. Change the pattern from time to time, just as you do in your business budget.

Business Outlook

THE end of the more-than-seasonal decline of business, under way for the past few months, seems about at hand. This is the decline of which you and I talked many months ago.

We made allowances for reaction from the spurt of the first three months of the year. We made allowances for the jittery influence of Washington in June, and for the breakdown of NRA, for the labor troubles, and for the low state of business confidence in June. So there's nothing in the current picture essentially different from the projected picture of which we talked months ago.

It looks now as if business would be on the upgrade soon. I don't know just when, but I think in terms of upturn evident by August. Upgrade through the fall. Not just the usual fall improvement, but at a faster rate than the usual improvement over summer lows.

Not the kind of improvement which is called "boom." You hear much boom talk these days, or you will hear it soon. Note that it comes from men who have their eyes focused on some line of business whose affairs are particularly good. They blank out of their minds the retarding influences in other lines than their own. We are talking of business as a whole, not of any single line. Business as a whole seems headed for resumption of the recovery, but not by any boom next fall or winter.

This is approximately the pattern of expectancy which

we drew some months ago, but it has been rechecked in the light of recent developments, and it still seems substantially correct. We'll talk of reasons and factors later.

Politics Make Recovery?

YOU often ask whether the New Deal is promoting or retarding recovery. Seems to me quite evident that it does both. At one stage, its policies sustained business, kept it

from sinking lower. At the present, its policies undoubtedly are retarding recovery, making improvement slower. Arguments may be made that certain new policies are intended to help or stimulate business. Yes, but other policies retard, and the *net* of all is on the side of retardation.

Fundamental forces of recovery are sufficiently strong, I think, to overcome the political drag. There are accumulated deficiencies of goods, mainly durable goods, mainly homes.

True, there's not enough consumer purchasing power to convert all wants into orders, into business, into finished goods. But purchasing power will rise, little by little, here and there, over the period of the next six months, the next year, the next two years. Natural forces are greater than political forces.

Furthermore, there's the thing called "sentiment." People are *feeling* better than a year ago. Farmers are feeling better; they have more money to spend. Big industrialists are feeling better. Most little business men are feeling better.

I figure roughly that we are about 40 per cent of the way out of the depression, from the low point of 1932 to the levels of 1929 (levels of business volume, not stock prices). It seems that it will take about two years more to get back to something which will be called "normal." This is a moderate view, midway between the gloomy folks and the cheery optimists.

NRA, The Past

LET'S review briefly the circumstances under which NRA came to an end. First, there was the loose, shoddy administration of the scheme in the Johnsonian heyday.

Then there was the beginning of the breakdown of codes, when neither NRA nor industry developed satisfactory methods of enforcement.

Then came the Supreme Court to say that codes and federal control of wages and hours were unconstitutional.

Then came a New Deal panic, led by the President, beset on all sides by differing and conflicting advices. The Frankfurter-Harvard Law set of advisers urged temporary scrapping of NRA, with time for study to determine what next. The Richberg group of advisers urged immediate resort to a constitutional amendment to give Federal Government new powers to control industry.

The President wobbled for ten days, then followed both sets of advice. He rejected the advice of a majority of business advisers, who wanted to try at once for a new law which would salvage some of the benefits of NRA. The President contributed to the con-

fusion by his emotional approach to the new emergency, and by his vague public statements on what should be done.

NRA. Future

Commission, just as it was before NRA came along.

And *what* is a voluntary agreement? It's an agreement among members of a trade or industry to abide by certain rules of "fair practice," which are not clearly defined. They are not enforceable by law, or by the Government, or even by the industry itself, on those who do not choose to participate in the agreement.

The antitrust laws remain, and new emphasis has been put on them. Practices which tend to create monopoly, to restrain competition "unduly," and to fix prices are illegal.

In industries which have had a high development of the cooperative spirit, the agreements will work fairly well. These are the industries which did not need NRA. In industries which have had poor internal cooperation, the voluntary agreements will not work. These needed NRA, but had never succeeded in enforcing their codes anyway.

So business is back to where it was pre-NRA. In many respects it is further back, because of the renewed emphasis on maintenance of the antitrust laws in letter and spirit.

Constitutional Amendment

AN amendment is proposed tentatively by the President, to give Federal Government the power to control industry. He does not yet stand four-square for it, but he is leaning toward it. The professional liberals of the Tugwell variety want it, because they want to make political power ascendant over private industry power in the determination of broad policies of industry. Labor wants the constitutional amendment to establish the basis for national policy of collective bargaining, wages and hours. It will become an issue in 1936, but it isn't possible to say now just how clear-cut the issue will be, or whether Roosevelt will be out-and-out for the amendment.

One thing seems certain: The possibilities of developing reasonably satisfactory government supervision over policies of whole trades and industries have not been exhausted by the NRA experiment. Good lawyers think Congress could have framed and passed at this session a law defining broadly what constitute "fair practices" for the guidance of some administrative agency of the Government—NRA or something else, such as the Federal Trade Commission or a new industrial commission.

Another thing seems certain: Industry must recognize that if it wants relaxation of antitrust laws, it must accept (a) participation of labor in agreements, and (b) some form of government supervision. It seems to me that both of these are inevitable.

It seems to me, furthermore, that the Presidential decision to scrap NRA (except for the skeleton status) was not a wise piece of statesmanship.

Trade Associations

TRADE associations now face a test. Only through them can industry now effect whatever measure of self-government it wants. Obviously some trade associations will do good jobs, because they are already well organized, because they represent industries which have real leaders, with some sense of economic statesmanship, some imagination. A majority of associations are not in good shape,

because they have coasted along, expecting government to do things for them. They must get busy. They shouldn't blame everything on the Government.

Centralization and Reformers

THE public might approve the *principle* of greater centralization, but it is likely to confuse the principle with the practical consideration of whether the Roosevelt regime has demonstrated efficiency in the exercise of centralized authority. The reformers, who are numerous within the New Deal, are more expert in blue prints than in administration. They do not execute well. The public considers a good idea in the light of how well the good idea is carried out. That's why the reformers, by their own ineptitude in administering their own reforms, are largely responsible for the reactions of public sentiment against the reforms. That's why the New Deal isn't succeeding as well as it had hoped.

Incidentally, that's why the patronage system of selecting public employees is one of the menaces to continuing reform, for partisan selection does not yield efficient administrators. (Could you reform your business if your relatives dictated your hiring and firing?)

Labor

UNION labor feels that it has been let down by the New Deal, that it has been kidded along and double-crossed. Labor is now falling back on its "economic strength," which means strikes. I think we must expect many of them in the course of the next year, despite any machinery the Government may set up, and they will be one of the influences which retard recovery.

There are various evidences that labor organization will proceed more rapidly in the future than in the past.

Seems to me there has been some advance in the past few years in the idea that it is *profitable* for companies to deal fairly and liberally with employees. (Labor says the advance is imaginary.)

Work-Relief

THERE'S no use talking about unemployment as a phenomenon in itself. Lack of jobs is a *result* of maladjustment of a lot of other things, and a *cause* of low purchasing power and high government expenditures. These expenditures reduce suffering and, incidentally, sustain business. Meanwhile business is not burdened by the expenditures, because they come from borrowings, to be paid by taxes—not now but in the future.

Jobs for a few millions will be made through work-relief, but not jobs for anything like a majority of those who are now jobless. Some of the made-work will be productive of lasting benefits; most of it will provide sustenance for today, and that's all. The work-relief program should be appraised mainly as *relief*, quite incidentally as business stimulation. It is an improvement on the dole, but it falls far short of the expectations of those who think of 4.8 billions as the pump-primer, as the final big piece of leverage to pry business up to a normal level.

There's much internal dissension within the work-relief administration. Officials and ideas clash. It is not well organized. It must be reorganized within six months, the top personnel shifted around. The present situation is a scandal, but the public is too tired to notice.

Durable Goods

THERE are signs of improvement in many of the durable or capital goods lines, but they are beginnings, and it will take at least a year to get to the substantial activity level. There's no great help for them in the Government's administration of the work-relief fund.

New bond issues, to raise capital for new projects as distinguished from mere refunding of old issues, have not yet started, but probably will start on a small scale sometime later this year. They are a necessary forerunner of expansion of the capital goods lines, where the unemployment is.

Housing

THERE'S every indication that home building is definitely on up-grade, but the progress is from extreme lows, and there will be no phenomenal spurt this year except in a few localities which are having little booms. (Examples, Detroit because of automobiles, Washington because of government.)

Mortgage money is available at lower rates and on terms more favorable to the home builder. This is due to a combination of factors. The government policy is toward cheaper and cheaper money, and longer-term amortized mortgage loans. The Home Loan system and the Federal Housing Administration and the Treasury have contributed to the latter.

Factory-built standardized low cost houses probably will develop healthily during the next few years. More and more the planning, building and financing of homes will be in the hands of big corporations, competing among themselves. The home-dweller will get more for his money.

It doesn't take much imagination to see that one of the biggest advances which will come out of this depression (belatedly) is the focusing of public attention and business ingenuity on better and cheaper homes.

Government policies are giving some encouragement to this movement.

Monetary

THE series of French financial and political crises brings the world a step nearer to international currency stabilization. It seems quite possible that stabilization by agreement can be attempted in the fall. Meanwhile there are no plans for any further devaluation here—in advance of world agreement.

Always remember the Government's policy is to promote lower interest rates, lower return on capital. It's one way of redistributing wealth, or the income from wealth.

Commodity Prices

OUR Government will not permit commodity price levels to sink much, for long. On this you may depend. In June they have sunk, but for reasons of internal domestic jitters. Our monetary policy is largely a commodity price policy. Government wants to raise commodity prices gradually. Seems as if government, with all its powers, is likely to do it.

Taxes

ONE of the aims of the Roosevelt Administration is to raise taxes on the middle and upper classes. This means higher income taxes, some new form of graduated excess profits tax on corporations, inheritance taxes.

The President

INASMUCH as the President is about three-fourths of the Government, it is proper to inquire regularly into his health and spirits. His health appears to be satisfactory, but he has been under severe strain, and he shows it in his actions.

Following the Supreme Court decision on NRA, callers remarked that he was nervous and emotional. He changed his mind often. His job is hard. His summer vacation will be good for the country.

1936 Elections

OF COURSE it's entirely too early to be making any long-range business plans on the basis of how elections in the fall of 1936 will turn out. But it's not too early to begin to assemble some speculative scaffolding.

Will Roosevelt be reelected? I don't know, and I don't think anyone else really knows. But, if you press for a tentative opinion, I should say that the chances are on the side of his reelection. Recovery is under way, and voters attribute recovery to the Government in power (often falsely). Not enough recovery, not rapid enough, however, to make a clear-cut case for the New Deal by the fall of 1936. Therefore, resort to other arguments and influences: The work-relief funds—a powerful influence. The Democratic machine, which is far better developed than the Republican machine. The plea that the New Deal is for the "masses," the "proletariat," who have more votes than the "upper classes."

Yes, plenty of drags on Roosevelt. He hasn't come anywhere near fulfilling his 1932 promises. Unemployment will be high, even by the fall of 1936. Many things will not be right; he will be blamed.

Both parties will be split. Conservative Democrats will swing Republican. Progressive Republicans will stick by Roosevelt. Both parties will be "coalitions." Cracks will appear in the Solid South.

Centralization of power in the Federal Government will be a major issue. The New Deal party will be for it, the Republican party against it. Democrats will be Hamiltonian; Republicans, Jeffersonian.

I have no idea whom the Republicans will nominate. Hoover could be drafted, but the party would rather have a fresh personality. The candidate ought to come from the Middle West.

Third party seems probable, a dissenting share-the-wealth party. But Roosevelt will be far enough "left" to gather up a good share of the voters who now listen to Huey Long, Father Coughlin, Upton Sinclair and Governor Olson.

A bitter, dirty, mud-slinging campaign. Petty graft, looseness, and local corruption will show up against the Democrats, arising out of public works, relief, and government lending. Try as they may, they can't avoid it. "Farley machine" will be charged (and truthfully). Against Republicans will be the charge of "no program" and "do nothing."

Assume Roosevelt's reelection: Four years more of experimentation and reform. The times will require it.

Assume Republican success: Four years of experimentation and reform on a smaller scale. Many of the New Deal schemes will be kept, their names and forms changed. The times will require it.

The years 1937 to 1940 will be "good years." Inflation, sown by the New Deal, will be blossoming. Then there will be another depression. If it comes by 1940, then that will be the year of test as between radical and conservative political doctrines. If it comes later, then 1944 will be the test. I can't foresee the time when we are going to settle down to calm politics.

Perhaps it's futile to try to look so far ahead, for leaders will die, new leaders will spring up, war will come to change the status of most of us. We shall wonder then why we didn't do more before to prevent war. We shall then have the wisdom of hindsight.

Sincerely yours,

Wm. L. Springer

New Labels on Old Bottles

By MERLE THORPE



Has America been barring the back door against the threat of destruction by force . . .

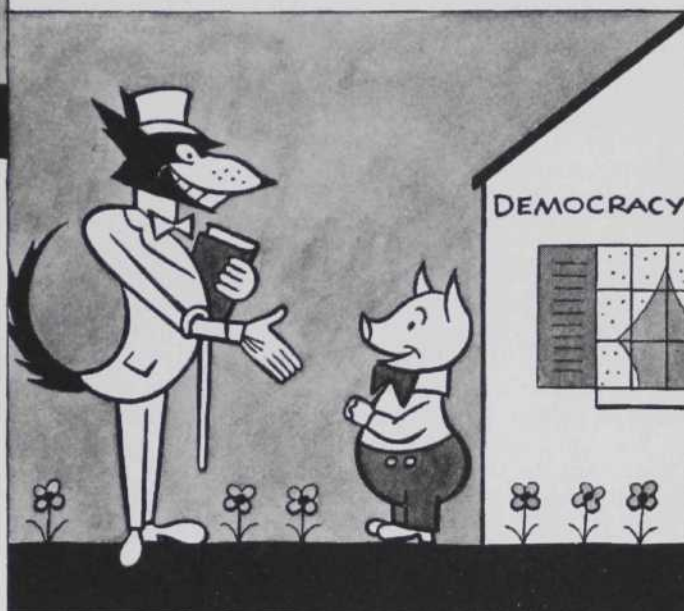
Americans, congenitally, abhor "isms." Patriotic, labor, business and women's organizations are now arming themselves to combat subversive activities which would replace the label of Republican or Democratic Government with that of Communism, Nazi-ism or Fascism.

The reasons for this antipathy are fairly obvious. Foreign "isms" are too much like the old-fashioned patent remedies which profess to cure everything from ring-worm to lung trouble. Democracy, any politician will tell you, likes to deal with its ailments as they arise, instead of resorting to a standardized cure-all in the form of a dogmatic political creed. It will not allow itself to be clamped in the mold of any kind of "doctrinairism" or subscribe to any preconceived way of doing things.

For example, "Communism," in particular, is anathema. The most extreme of American-bred radicals denounce it. Patriotic organizations, like the American Legion, the Chamber of Commerce of the United States, the American Federation of Labor, the Daughters of the American Revolution, are campaigning against it. Father Coughlin and Senator Huey Long repudiate it. Congress is investigating its ramifications, and both Democratic and Republican members hold out the comforting assurance that democracy is not to clamber out of the depression only to fall into the arms of any European political "ism."

Is all this alarm raised over a label, or the contents of the bottle? Is Communism identified by a bewhiskered and dishevelled alien who carries a torch in one hand and a bomb in the other, or by the tenets of the faith preached in its name? Is Congress gagging at a name and blissfully swallowing poison, like the teetotaling farmer who abjured alcohol and discovered that he had

THE LINE of strategy taken by the New Order appears to be to disarm radicalism, not by taking away its weapons but by mustering it into democratic ranks, and to counteract Communism and Socialism by adapting the tenets of the doctrines they preach to democratic ends



And at the same time inviting it in the front door dressed up in other clothes?

CHARLES DUNN

been drinking it under the guise of a household tonic? Has it been barring the back door against the threat of destruction by force and violence and, at the same time, inviting it in at the front door dressed up in other clothes?

To sum up, are we physical cowards, trembling at the thought of the death and pillage popularly associated with Communism, while, at the same time, we are indifferent, if not sympathetic to a communistic control of our individual affairs? This is not an academic question. It involves the ordering of our daily lives by an arbitrary, even despotic, political power. Therefore, it would seem wise to take a look at Communism shorn of its whiskers and its bombs. How would it affect you and me if Communists were in control, absolute and complete, of the United States today?

Communism, like everything else, is as Communism does. If Karl Marx, the grandfather and guiding spirit

of this forbidding cult, were living in the United States today, how would he go about trying to convert Congress to his beliefs and induce its members to put into practice the gospel he preached? It happens that in his own time he did just this. Fortunately for our purpose, he set forth in black on white his program of Communism leading to world revolution. Nearly a hundred years ago, he and his alter ego, Friedrich Engels, drafted a ten-point program—thereby, incidentally, setting a precedent for latter-day crusaders. It was the Communist Manifesto of 1848.

The Marxian ten points

HERE, then, is the answer. From it we can provide our C. of C. and A. F. of L. and D. A. R. vigilantes, now guarding the backyard against invasion, with an old-fashioned police bill

MAN WANTED

giving a full, detailed description of the criminal.

The ten points of Marx did not set forth the ultimate aims of Communism. They were only the steps to be taken to pave the way for the achievement of world revolution. They were the spearhead for the thrust that was to destroy the existing order and set up a dictatorship.

One question that always comes up when Washington's thoughtful political observers get together is whether the trend of present-day America toward Europeanisms is conscious or unconscious. There are those who see it as the result of a deliberate drive; others who think it is a drift of many haphazard activities, but not a planned policy.

A. B. Fontaine, of Green Bay, Wis., in his revealing book, "Subterfuge," published early in 1934, develops, as a part of his thesis, a parallel between the New Deal and the Communist Manifesto, together with an analytical and comparative study of European theories of government and current political trends in the United States. The title of his study, "Subterfuge," indicates Mr. Fontaine's conclusion that there is a deliberate, though hidden, intent to change our form of government.

I am not concerned here with purposes or motives, important as they are. My one desire is to show how rapidly, whether for good or bad, the communistic platform is being incorporated in the American system of government.

One of these points, the most important of all, it appears, was:

Centralization of credit in the hands of the State, by means of a national bank with state capital and an exclusive monopoly.

This was the axle of the communistic wheel, because the same idea is echoed by Marxians of a later day. Lenin, an avowed disciple of Marx, who has been deified as the father of modern Russian Communism, observed: "through the nationalization of banks they"—the small tradesmen—"may be tied hand and foot." Elsewhere he said:

One state bank as huge as possible, with branches in every factory—this is already nine-tenths of the Socialist apparatus.

Even more recently the British Socialist, G. D. H. Coles, said:

Before a labor government nationalizes any industry, it should nationalize the banks. With the banks in our hands we can take over other industries at leisure.

The importance of controlling banking resources, thus emphasized, is not appreciated solely by those aiming at communistic or socialistic ends. Not long since a witness appearing before the Banking and Currency Committee of the House of Representatives said that, to achieve certain objectives—the prevention of specula-

tion and the stabilization of business—it is "necessary to concentrate the authority and the responsibility for the formulation of national monetary policies in a body representing the Nation.

"It is necessary," he added, "to improve our machinery of monetary control."

The witness, in this instance, was not a Communist, identifiable by his whiskers and a bomb and breathing imprecations against the capitalistic system. It was the Governor of the Federal Reserve Board, Marriner S. Eccles. He was speaking of Title II of the so-called Banking bill, which would make possible the establishment of political control over the operations of the Federal Reserve system. Much water has gone under the bridge since Karl Marx laid what he conceived to be the communistic corner stone, the "control of the monetary system," but it still seems to serve that purpose for any system of political management.

Why is political control of credit and capital regarded as so essential to a communistic program? The United States Chamber of Commerce, in formal declaration, describes the operation of the proposed banking bill as follows:

The real needs of commerce, agriculture and industry could be subordinated to the spending plans of the Government and to its dictation concerning the volume and kind of credit to be made available from time to time. . . . Efforts could be made to control the level of production, prices and employment, through adjustments of the mere volume of money and credit, by a Washington bureau which thus would be permitted to experiment with a most dangerous form of so-called central planning.

What does this mean to the Man in the Street? Note "dictation of the volume and kind of credit." It means that an individual in Washington would have the power to decide for him if he may buy an automobile on the installment plan, or at all. It means that his deposits in the bank are no longer under his control through his banker, but may be allocated for some social purpose in another section or, indeed, a foreign land. It is all a part of a larger policy, which Professor Tugwell describes as follows:

Capital allocation would depend on knowledge, from some planning agency, of how much for a measured future period ought to be put to one use rather than to another. Given this information, the first step in control would be to limit self-allocation. This is the first great problem in this field. Industries, because of their past and present, regardless of temporary luck, grow over-confident of the future and expand their own activities beyond all reason.

Another of the ten points of the Communist Manifesto was this: *Centralization of the means of communication and transport in the hands of the state.*

This does not smack of violence and sudden death. Neither does it indicate malevolent hostility to the democratic system. The same sentiment, as a matter of fact, is echoed in a report to Congress by the Federal Coordinator of Transportation this year. He said:

Theoretically and logically public ownership and operation meets the known ills of the present situation better than any other remedy. . . . When an industry becomes so public in character that such intimate regulation of its affairs becomes necessary, in strict logic it would seem that it should cease to masquerade as a private industry and the Government should assume complete responsibility, financial and otherwise.

Is it government or business?

ONE might quite as consistently be tempted to ask whether the time has not come when Government should cease masquerading as Government and openly assume the role of owner, operator and manager of railroads, banks, power plants and other business institutions by which American citizens earn their livelihood.

(Continued on page 51)

An Industrialist Thinks Aloud

By W. J. CAMERON

Of the Ford Motor Company

WHAT does a business man think about? Is he interested only in making money, or does he feel deeper justification for giving his life to the job he has chosen? Few business men have answered that question. Either they are too busy, or too bashful or too inarticulate to express their feelings. Occasionally, though, one of them takes the trouble to analyse his job and the satisfaction he finds in it as Mr. Cameron does here

IF NOTHING else justified the factory, there is one fact that will endlessly justify it. You will recall that before the factory age, the craftsman worked in his own house. We pretend to think it romantic that once the entire family labored day and night in what we call the home crafts. But actually, it was a hideous arrangement.

But even in that crude state, the factory emancipated the family's dwelling house and enabled it to become a home, and be nothing but a home. And even since that time, by reason of steadily increasing wages and steadily improving conveniences—both of these the products of industry—it becomes ever a more refined and comfortable home. This ought to give the factory a place of honor in our list of uplifting social factors. The modern manufacturing plant is a place of sunlight and fresh air; it is as clean as the modern home. Many a woman visitor at Dearborn remarks that if she had what the Ford Motor Company spends in one day for sweeping and scrubbing, she would be wealthy.

Well, our daily pay roll for cleanliness is quite sizable—we have 5,000 sweepers and cleaners. They have seven million square feet of floor space, 330 acres of window panes, and tens of thousands of machines to keep clean. They use up 5,000 mops, 3,000 brooms, and 86 tons of soap a month—not to speak of 16,000 gallons of paint. That is large scale housecleaning.

Philanthropists often study the Ford Motor Company in the belief that it is an outstanding example of paternalism in industry. They expect to find that we direct our men's pleasure, provide their entertainment, band them together in shop clubs, and tie up their social life with the factory.

There is a perilous propensity in human nature to manage other people's lives, which is the beginning of tyranny; but the worst of it is that if you label it "philanthropy," it will be applauded.

If you provide bathhouses and clubhouses, and organize picnics and give turkeys at Christmas, if you build churches and do similar things for your employees, you will be praised for "improving industrial relations." But industry plays a more honorable part when it pays wages that enable men to do these things for themselves. It is far better for citizenship, better for character, bet-

ter for business, when men have the means to provide their own bath facilities, build their own churches and clubs, organize their own pleasures, find their own associations, than that they should be beholden to any company or corporation for these things. Where there is paternalism there is too often a stinted wage. And in the end men don't thank you for it, because they don't like it—and employers themselves would not

like it if they were in the men's place. A man is, after all, a free being. In the state he is a citizen. In the home he is husband and father. In many instances he is office-bearer in his church or lodge. Outside working hours he cultivates individual tastes and talents. That is, he is grown up. The very basis of better industrial relations with him is a just wage. Pay that, and he will provide the necessary things himself, and be the better for it. In the

emergencies of life, of course, the company can always do the neighborly thing, it can teach him, it can protect him from the racketeers and parasites that lie in wait for the workingman's wage; but the guiding principle must be to enable a man to stand on his own feet.

Many plans offered to hasten our social betterment are drawn from backward countries and were not expected to solve any problem but only to delay disaster. The dole, for example, is never expected to lift anyone out of the dole class. Now, that is not America. The doctrine that all progress is past is not ours; in America we believe that progress is only beginning. Something finer than selfishness is behind the American rejection of plans to divide the wealth; we know that division is decrease, and we believe that the solution is increase. Not less for all, but more for everyone.

The solution of "not enough" is always "more"; and "more" exists where "not enough" came from. That is the American creed.

A new social plan now being offered us—a new political talking point—is called unemployment insurance. It was invented in countries that have accepted unemployment and poverty as final conditions. It does not aim at abolishing unemployment. It is one of the surest ways of insuring that there shall always be unemployment. It simply taxes an employed man's job to relieve society of the necessity of finding the real cause of the difficulty. It is a sop to the social conscience, a new form of permanent pauperization, just another way of making so-



ciety complacent about a condition that ought not to exist at all. Weighty official thinking should be devoted to the seat of the trouble, rather than to the symptoms.

These makeshifts are all right for countries in decline, but what does a country in the ascendant have to do with them? They are not the beams of a new dawn but the slanting rays of a fast setting sun. Remedies that but prolong the disease do not satisfy the American conception of good will. We shall be satisfied with nothing less than a decisive frontal attack on the basic evil itself. Here in America that attack has been pushed farther and more successfully than anywhere else.

Social improvements are not commanded but created. The difference between politics and industry in this matter is that we cannot just make a speech about it and consider the thing done. And we can't tax the public to pay for it. What we do must not only pay for itself but register its benefits on the pay roll. Reformers have the advantage of us there—they don't have to meet pay rolls. The dollar we add to the day's wage must be made before it can be paid. The day we took off the week's work—reducing it from six days to five—could not be taken off the week's pay. Else it were not an improvement. Neither the men's pay envelope nor the public's purse pays for social advances in industry. Nor do these advances come from some industrial leader's generosity. If they did, then they were rights which had been withheld. But they were not withheld; they did not exist. They must be created.

Higher wages and shorter hours cannot be established by money dipped out of a company's treasury. They come from economies, improvements, and refinements of manufacturing methods, and these come from the incessant labor and creative experience of management. That is the only way any social advance is built into industry. It cannot be done by law; it cannot be done by money. The right method and the right conditions must be created. What is right will work; what will work will be used; what is used will support itself.

Now, there is another thing: these improvements are not born of scarcity but of plenty. The present agitation for a six-hour day grows out of a despairing belief that scarcity and poverty will be the general rule in this country for the future. Most of the schemes and theories born of the depression are false because they gauge all future time by present conditions. No economic improvement is possible with that kind of thinking. As a "share the work" plan, the six-hour day would be a plunge downgrade. The six-hour day will come because work is plentiful and production is ample; it will come because the American ideal of life requires leisure for men to use and enjoy the things they make. That is the only reason for making things!

"Share the work" plans are plausible; they appeal to our good will; but they do not benefit the men they are supposed to help. As means to recovery, or even as emergency helps, they simply do not work. And the final test of a machine or an Act of Congress is—does it work? For a time a few men get a little, none get enough, and in the end no one gets anything—because there is nothing left to share. One hundred men earning five dollars a day have more recovery power and more community

help in them than 500 men earning a dollar a day. In either case the same amount of money is circulated; but the effect is entirely different, for the five dollar men will buy goods that make jobs for others, while the one dollar men will not be able to patronize any industry, and thus will cause decline in such industries as exist. These are the facts of experience.

No arbitrary age limit has ever been in effect in our shops. Long ago Mr. Ford laid down the rule that our pay roll should represent a cross section of the whole community. Whatever the percentage of any age group in the community, at least that percentage should be represented in our employment. That is the only age rule we have ever had, except of course the rule against child labor. We employ no one under 20 years of age. Employment figures for a recent month show that in the River Rouge plant with its 79,000 men, 40 per cent, or more than 31,000 men, are more than 40 years of age. As a matter of fact, more than 8,300 of them are more than 50 years of age. (And this at a time when employment was curtailed, although it is much better than a few months ago.) Total Ford employment in and around Detroit shows that 41 per cent of our men are more than 40 years old; 20 per cent are more than 45 years; ten per cent more than 50. This indicates that Mr. Ford's rule is being observed. Of course, we don't discriminate against young men, either—they have a right to their opportunity; but we do not deprive ourselves of the skill and experience that come with years.

Now, as to the labor required to produce a car. We have never believed that machinery can render men obsolete. Our experience has been that when we improve our methods and machinery, it simply creates more jobs. If we devise a machine, as we have often done, by which five men can do more easily what ten men did before, it does not put five men out of work; it usually makes jobs for still more men. True economy in operation—not pinchpenny economy, not cheap short cuts, but true economy by better methods, means an improved product, a lower price to the customer, and in consequence larger sales and more men employed. That is the way it has worked with us for 30 years. We have steadily reduced the number of men needed on a given operation and steadily increased the total number of men in the shops. In 1929 for every Ford car produced, 191.8 hours of labor were used in our factory. Last year, 1934, it required 198.5 hours of labor—practically the equivalent of an additional eight-hour day per car, which means that more men were employed in the various departments.

The relation of man power to production is pretty constant. The machine is man's helper, not his competitor. Machinery is a great factor in the increase of jobs and wages.

Our policy of paying men instead of patronizing them arises from the fact that Mr. Ford was a wage-earner until he was 40 years old, and wanted what he earned, not what some employer's kindness gave him. He has never believed that charity was a substitute for equity. For 20 years his healthy scorn of that sort of philanthropy has been reflected in his wage policy.

Just 20 years ago—after learning how—he raised his wages from \$2.37 to \$5 a day—an unheard of thing. Economists predicted it would ruin him. In 1918 he added a 15 per cent bonus on the annual wage, payable in December, but because some men quit in the course of the year and lost their bonus, he ordered it paid pro rata



every pay day. The next year, 1919, the minimum wage was raised to \$6 a day. In 1920 came the employees' investment certificates, which to date have paid our employees a profit of \$25,000,000. Fourteen millions of this was the guaranteed profit, the other \$11,600,000 was added because business justified it. Then in 1929, 37 days after the great crash, a dollar was added to the minimum wage, making it \$7 a day. This was called "the depression dollar." It was paid all through 1930 as the depression deepened. It was paid right up to November of the despairing year 1931.

That extra dollar a day meant \$33,000,000 added to our men's wages in the 23 months it was in effect. The condition of the country finally became so bad that we were compelled to return to the \$6 a day minimum. We

hated to do it. During all the decline, the minimum never went below \$4 a day. It is now \$6 a day, but the actual wage paid is usually higher than the minimum.

The total figure of what this Ford policy has meant in cash to our men above the labor market value of their work during these 20 years is hardly believable. It runs to \$625,000,000. That represents the extra wages paid above what the Company needed to have paid had it followed the general wage scale.

A noted author asked Mr. Ford if the depression had not cured him of his high wage notions. "No," said Mr. Ford, "I believe in them more than ever. We haven't seen any real wages yet!"

Further observations by Mr. Cameron will appear in NATION'S BUSINESS for August.

Telling Congress in Person



On the platform of the NRA extension meeting were Eric Calamia; Peter Van Horn, president, National Federation of Textiles, Inc.; Ward Cheney, chairman of the committee and president of Cheney Brothers (Silk) Co.; and Phil Gladstone



PHOTOS FOR NATION'S BUSINESS BY HAMMER

The meeting of the Business and Industry Committee for NRA Extension practically filled the main floor of Constitution Hall

WASHINGTON is witnessing new methods of influence on Congress. Some 1,300 business men and representatives of business organizations attended a rally of the Business and Industry Committee for NRA Extension in Washington a few days before the Schechter decision. Ward Cheney, chairman, marshalled the committee's supporters into Constitution Hall. Thence they adjourned to go in smaller groups to see their Senators and Representatives in Congress. The chairman of the committee declared that the gathering was a spontaneous one largely of small business men who had benefited by the NRA and who wished to see it continued for

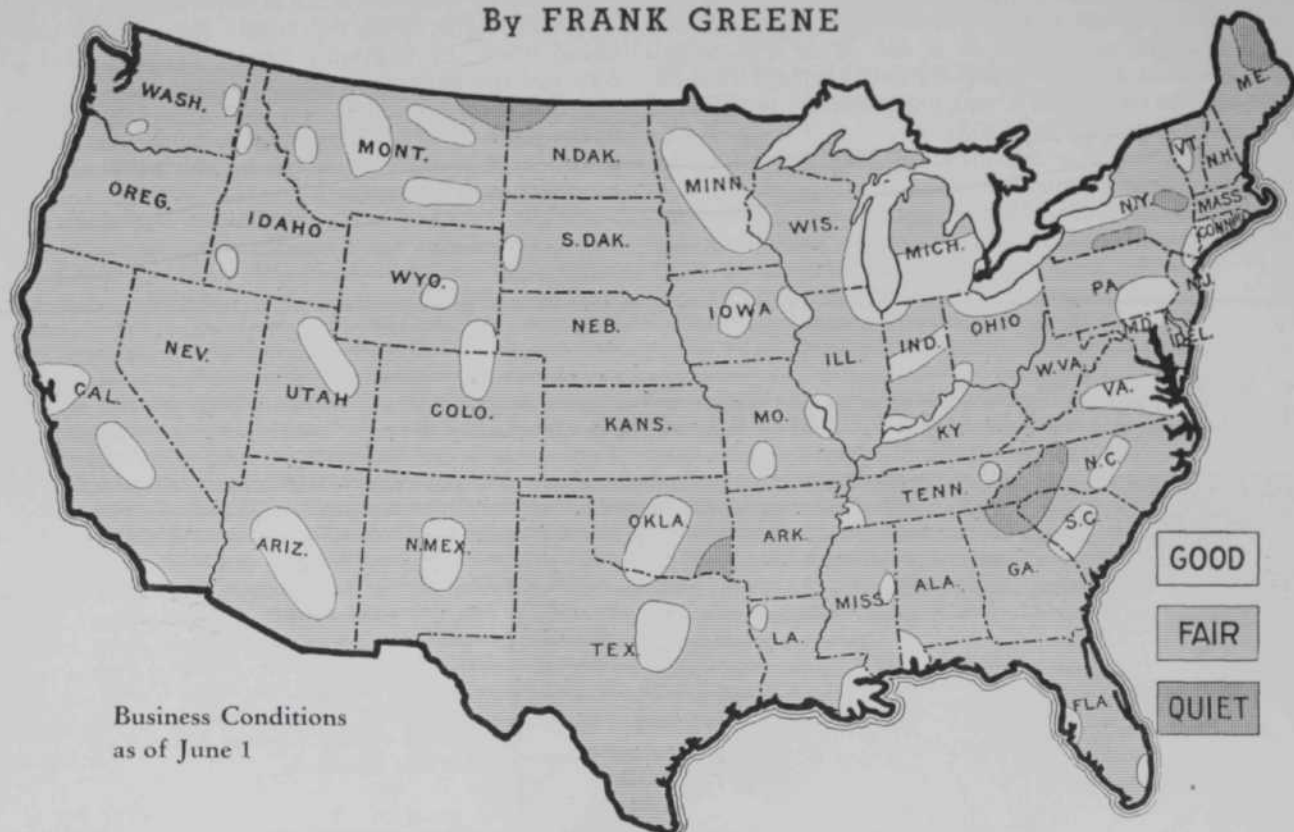
two years. The meeting was neither "a march nor a raid on the Capitol," he said, but a "demonstration on the part of business men who desire to have this legislation continued."

The same week this group was meeting in Washington, other groups of business men gathered to "tell their Congressmen" in what may be setting a new style of influencing Congress. Hitherto the "bonus marchers," the "hunger marchers," and the recent farmers' gathering have been the only groups to make large-scale expeditions to Washington.

Since the Schechter decision the leaders of this Committee say they will still fight for the principles of NRA.

The Map of the Nation's Business

By FRANK GREENE



DISTRIBUTION in May was held down by inclement weather, particularly in western areas. Heavy rainfall broke the western drouth and favored larger food production but delayed planting. Strikes retarded automobile production and cut down lumber production in the Pacific Northwest.

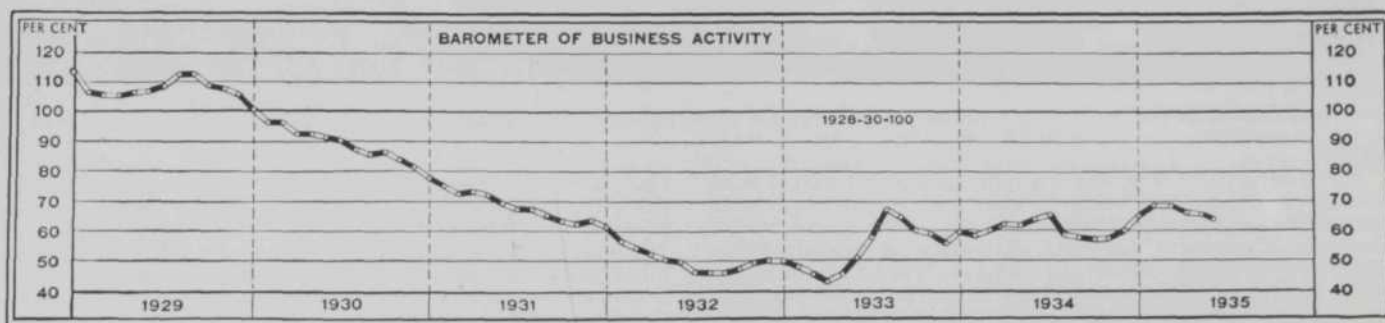
Stock markets in May did the largest business in more than a year but early price advances were shaded later. The Dun & Bradstreet price index surpassed four-year peaks despite sharp reactions in many farm products. Hides, leather and textiles showed chief strength. Grains sold at the lowest of the season with corn selling higher than wheat on occasions. Raw cotton lost two months' gains. Western packing centers reported record low receipts and "consumer strikes" closed many meat shops.

Increases in bank clearings and debits in May were among the largest of the year. April foreign trade showed imports exceeding exports. Net railway earnings exceeded the same month of the two preceding years.

Agricultural and crop surplus regions display more white while industrial areas take on a little shading



The map of last month



BASED ON INFORMATION SUPPLIED BY DUN & BRADSTREET, INC.

The Barometer of Business, which paused in April, moved slightly lower in May. The line for the five months portrays a leisurely retreat but the current level fully equals the peak of last year



Have your own Independence Day

AS our Forefathers declared our national independence on the Fourth of July, 1776, so you can declare your own future financial independence TODAY.

Write safety into your future. With the comforting assurance of financial ease ahead of you, a new sense of security, independence and happiness will be yours.

The earlier you start the better, so that you can arrange to have financial independence at age 55, 60 or 65. This can be done through a well thought out Life Insurance Program.

Why not plan your own Independence Day now?

A Metropolitan Field-Man will gladly explain the Retirement Plan best fitted to your needs. Telephone your local Metropolitan office and ask him to call. Or simply mail the coupon.



The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.

The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

Metropolitan Life Insurance Co., (N)
1 Madison Ave., New York, N.Y.

Without placing myself under any obligation, I would like to have information regarding a Retirement Income Plan.

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METROPOLITAN LIFE INSURANCE COMPANY

Frederick H. Ecker, President

One Madison Avenue, New York, N. Y.

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No Business Can Escape Change

A quick and pithy review of
what's new in various sectors
of the field of business

Interiors of a wide variety of products can be inspected as they move along the production line through a new type of X-Ray machine. It's said to be the first to permit X-Ray inspection fluoroscopically of products in motion. . . .

A new multiple-register accounting unit combines with any standard typewriter to form a simple, accurate machine for billing, posting, bookkeeping. The typewriter can be used as before for typing work, a single lever disengaging the calculating functions. . . .

Keeping of hand-written records on the job is facilitated by a new portable register. A touch on a trigger and a file drawer opens, ejecting the forms ready for a quick tear-off. . . .

Deposits by mail are encouraged and their handling facilitated by a recently developed envelope, ready-printed on its various surfaces with the bank's address, deposit slip, deposit receipt and return-address form. . . .

Folding metal awnings of copper, aluminum or steel are now offered. They can be left in place the year round, are described as fire and weather proof, easily installed and operated. . . .

A novel top distinguishes a new all-purpose wire basket (trash burner, clothes hamper, etc.). Formed of interlocking permanently-attached loops, the top opens to form an extension of the sides, closes to form a close-meshed covering. . . .

Closer control of room temperatures is said to be achieved through a new thermostatically governed, electrically operated device which modulates the flow of fuel (gas or oil). . . .

A new sashless, weather-stripped window consists of two vertical panes set in metal on bottom and meeting edges. Panes open easily, rolling back into sidewalls; automatically lock when closed. Installation is simple, cost moderate. . . .

Described as the hardest yet, a new safety glass bends like sheet steel, is highly resistant to heat and breakage. When it does break it crumbles into small, non-cutting fragments. . . .

Operating like a soda siphon bottle, a new device yields whipped cream at the press of a lever. The metal container reaches consumers charged with a certain gas and a half-pint of cream, foams it to three or four times that volume. . . .

Soda fountain operators are offered a new device by which they can make their own carbonic gas. It is said to convert dry ice, or solid CO₂, into carbonic gas, with no loss in weight. . . .

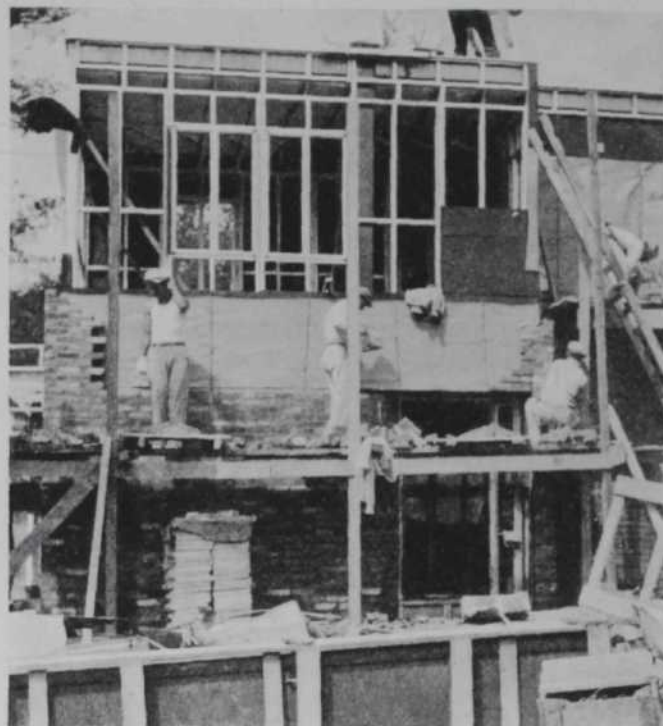
Detachable, interchangeable uppers feature a new sandal for feminine wear. The uppers are fastened to the sole with snap-pers, are available in various colors to match costumes. . . .

The bare-legged vogue has produced a new below-the-shoe-top foot covering for women. It also can be worn over stockinged feet to save hose and darning. . . .

A self-jerking tweezer is now offered. Blades are closed on the hair by pressing a lever; further pressure causes the blades to jerk back automatically, hair with them. . . .

Speeds ranging from two to nine miles per hour are offered by a new silent electric power boat. Length is 15'; beam 49"; cruising range per battery charge, 40 hours or 195 miles. . . .

Body and fender repairs are speeded by a new moderately priced air hammer which has only one moving part. Also usable as a stationary power hammer, it's said to be easily operated, to strike blows which do not injure the metal. . . .



Interchangeable rectangular steel frames, bolted to foundation and each other, form the skeleton of a new-type, moderately priced house. Completely modern, with exterior of brick, wood or other material, it can be erected in four weeks or less

A motor-driven agitator and a calibrated, variable thermostatic control which can be set for heats from 100° to 500° F., feature a new electric heater for wax, glue, etc. . . .

Valve wheels of molded plastic, in distinctive colors to designate valves for steam, air, water, etc., are now offered on one line of valves. They're said to be cool, strong, easy to grasp. . . .

Fine or coarse sand and other material is dewatered and discharged by a new compact, self-contained machine. It eliminates the usual incline and dependence upon gravity and a time period to drain the product. . . .

Burrs, paint, other impurities are largely removed from raw wool and like animal fibers by a new process. It involves freezing and dusting out the grease which holds impurities to the fiber. . . .

Sheet steel instead of fabric is used in a new movie sound screen. It has louver perforations, is said to give superior sound reproduction and reflected light, no loss of picture. . . .

A rotary fan affords constant recirculation of air in a new gas-heated convected air tempering furnace. Uniform heat treating results, economies in operation are claimed. . . .

A new self-contained pipe joint, or union, is said to make a permanently tight, flexible connection on plain-end pipe. Installation is simple, quick, requiring only one tool, a wrench. . . .

Flexibility of the flat-bed duplicator, speed of the automatic rotary are combined in a new heavy-duty duplicating machine. It's electrically operated, pedal-controlled. . . .

—PAUL H. HAYWARD

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.



Its Quality shines brightest after 10,000 miles

People who have examined the new Master De Luxe Chevrolet marvel at its quality. Very likely *you* will marvel, too . . . because Chevrolet has made this car so big and sturdy—so *fine* in every part—that it no longer looks or acts like a low-priced car! The most pleasing result of this high quality manufacture is that the Master De Luxe will continue to give real satisfaction long after you are satis-

fied you have received full value for the money paid for it. This new Chevrolet has a habit of staying young. Its quality shines brightest after ten thousand miles. The most surprising thing of all is that its prices are among the lowest and that it gives the greatest operating economy in Chevrolet history. But, as we have said before, quality is remembered all the more pleasantly when price is so low.

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN

Compare Chevrolet's low delivered prices and easy G.M.A.C. terms. A General Motors Value

CHEVROLET

for 1935

TURRET-TOP BODY BY FISHER (WITH NO DRAFT VENTILATION) . . . IMPROVED KNEE-ACTION RIDE . . . BLUE-FLAME VALVE-IN-HEAD ENGINE . . . WEATHERPROOF CABLE-CONTROLLED BRAKES . . . SHOCK-PROOF STEERING

Introducing Harper Sibley

(Continued from page 20)

untarilly are observed. I have no fear that they will not be observed. I have had experience with many American business men and the great majority are absolutely honest."

The Chamber strongly opposes the pending bill for the alleged regulation of holding companies. It seeks to superimpose federal regulation upon state regulation of operating utilities. Not only that, this bill is a deliberate plan to destroy utility holding companies. That would mean the destruction of millions of dollars of investments by innocent men and women. What is more important, it is a violation of fundamental principles of honesty.

Business' own plans

THE Chamber has long advocated that employers develop plans of their own for adequate old-age and unemployment benefits. Mr. Sibley spoke of several of the larger enterprises which have succeeded in this to a greater or less extent. The experiments have developed the extreme complexity of the problem as well as the grave importance of arriving at a fair solution. The Chamber doubts the propriety and the constitutionality of the Federal Government's attempt to take jurisdiction over this subject. There is every evidence that the Chamber has approached this matter sympathetically.

"But it should have further and more detailed legislative examination before an effort is made to put any plan into law. It seems obvious that so large a scheme as that contained in the bill for federal aid to the states in caring for the aged indigent should also be more thoroughly canvassed. Delay can do no harm, since the pending bill provides that pay roll taxes will not in any event begin before 1937. Hasty action might work incalculable harm."

Mr. Sibley noted briefly that, under pending banking legislation, more power would be granted to a few men in Washington than is granted to the board of any foreign bank and that the Chamber opposed any further grant of authority to the AAA. The latter has already "made a pretty long reach" of the federal arm into our private business. The Chamber is inflexibly opposed to further effort, by law, or subsidy, or license, by the Federal Government to interfere with the lawful and independent management of private business.

"That attitude has been called re-

actionary. It is not reactionary. The present administrative program is certainly and admittedly experimental. Parts of it have been proven to be unconstitutional. The American business man is unjustly criticised when exception is taken to his effort to maintain the rights that have been his by law ever since there has been a United States. Business is eager for an improvement in industry, but it demands that there shall be no interference with our fundamental law either in the Constitution or in the code of honor. Honesty will always be honesty. Dishonesty cannot be made honest by statute."

In that sentence is a clue to Mr. Sibley's character. During a long conversation the talk leaped from topic to topic. He spoke with perfect candor about himself and his business affairs. One's impression was that he would always do so. He has nothing to conceal either of act or thought. As an illustration of a point he was making he spoke of his connection with an important trust company in western New York. It has grown from small beginnings to great importance. Much of its business was in trust funds. During the boom in 1928 some New York City financiers looked on it enviously and in the end offered \$5,000 a share for certain holdings of the Sibley stock. With that stock in their possession they could control the company. Harper Sibley did not say how much stock he individually owned. He did say that:

"At that figure, 200 shares of stock would be worth a million dollars."

Keeping their customers' faith

HIS father would not listen to the proposition when it was made to him:

"The customers of this company," he said, "have, to a large extent, put their funds in our care because they have confidence in us. These New York people may be all right—but I do not know them. We will hold our stock."

Mr. Sibley grinned delightedly:

"He said," he quoted, "I won't sell and you can't."

Apparently there is a fair amount of discipline in the Sibley family. There is also an unusual modesty in the present head. He has always been successful in business but he insists on looking on himself as lucky. When he took charge of the fortune left by his grandfather for the various heirs he found a quantity of city real estate on his hands. He thought it

was desirable to get the estate in more liquid form and so he sold most of it.

"It was just luck," he said, "that I happened to catch the top of the market."

That might be accepted without argument but another matter came up which rather overclouded the theory of luck. One of the items of the Sibley estate was a big farm in Illinois. He could have sold out at the top of the same boom and made money but he did not. He preferred to stay with the land. He might have borrowed money on the farm and bought more land. Many farmers were doing so. He did not borrow because he believes that the farmer who is not hampered by a mortgage is a fortunate man.

"No farmer will make money every year," he said, "even in times of normal prosperity. But he has food and shelter even at the worst and, one year with another, he should make a fair return if he is a good farmer on good land. But he has been told by the politicians that he is an unfortunate man and he has learned to believe it."

The proof of the pudding is in the eating.

"Have you made money on your farms?"

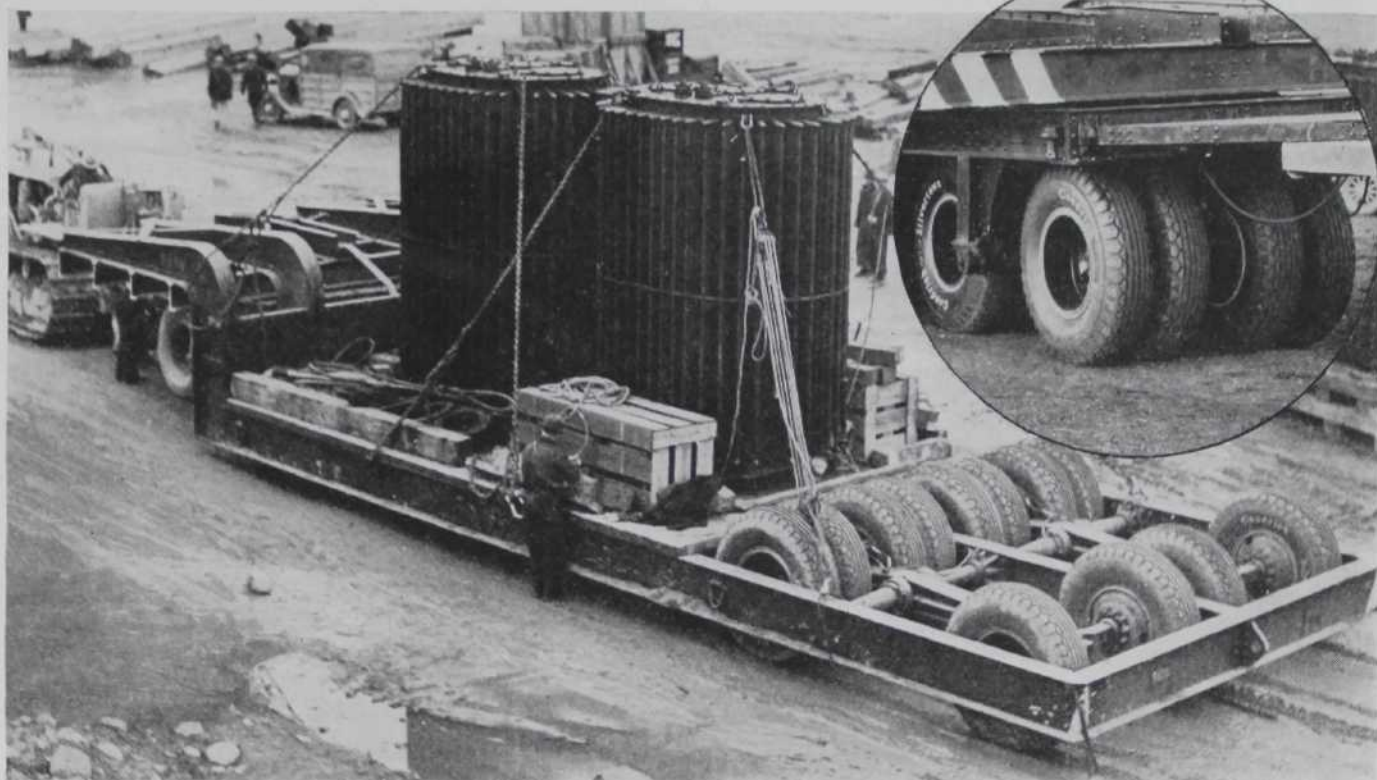
"Yes, on our Illinois farms we have made money. We were only in the red in 1932, and no farmer could make money in that year."

An inquiry into this phenomenon seemed desirable. It appeared that when he took charge of the 14,000 acres in Illinois the soil had been worked for 50 years. Much of the original fertility had been destroyed. He was obliged to use phosphates and lime liberally to grow a good cover crop of legumes, which was later to be plowed under to restore the nitrogen to the earth. Now he insists that his tenants put one-fourth of their acreage in legumes each year. He does not restrict his relations with his tenants to a mere share-the-crop basis. Each year he goes into conference with them, and owner and tenant agree on what crops are to be put in the next year and in what fields.

"Now we have fields of sweet clover," he said, "in which the clover completely hides a team of horses and a wagon."

He said with a laugh that few believed him. Next autumn he will have photographs taken to show as proof. In his billfold were other pictures of the Sibley farms in Illinois. They

80-TON LOADS *Don't Scare These Tires*



NEW TYPE TRUCK TIRES USED ON GIANT 20-WHEEL TRAILER AT GRAND COULEE DAM

They had a tough transportation problem at Grand Coulee Dam. Heavy equipment and materials had to be hauled 30 miles or more over rough roads to the site of the dam. It takes a crawler tractor to supply the power!

So the contractor built what is believed to be the world's largest trailer. Built for loads up to 60 tons. The trailer itself weighs 20 tons.

To carry this gigantic load they use the new Triple Protected Silvertowns—the tires that have proved themselves on the hardest hauling jobs in the country!

These new truck tires have a revolutionary invention incorporated in the sidewall. The invention actually checks 80% of premature failures. It means that tires stand up longer

under the battering, bruising punishment of construction work.

Tires that carry 80-ton loads at Grand Coulee will handle *your* job right, too!

One tire failure on an important job may cost you hours of delay—men and equipment idle—a big repair bill. Why not play safe? Get the tire that's just as strong in the sidewall as it is under the tread! Here's how triple protection works:

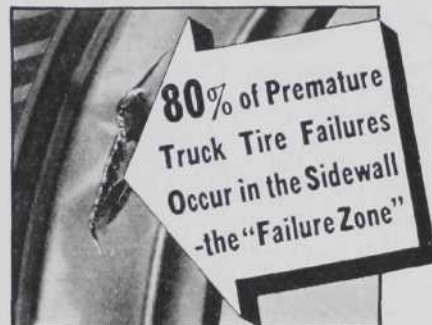
1 PLYFLEX—a new, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall prevents ply separation—distributes stresses—checks local weakness.

2 PLY-LOCK—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.

3 100% FULL-FLOATING CORD—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross cords. No friction.

FREE! 44-PAGE HANDBOOK FOR TRUCK OPERATORS

Every truck owner, every driver should have this big 44-page handbook. Gives commodity weights, tire load capacities, inflation schedules, dual spacing chart, load analysis and other useful information. No obligation. Write for free copy. Dept. T-54, The B.F. Goodrich Company, Akron, Ohio.



Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES

"I put it first in our INSURANCE PLAN"



PROTECTION from fire is the first element in any fire insurance plan, and that starts right in the plant. Among the most important factors of fire prevention is the system that checks the watchman—that shows that he is on the job to detect and handle any chance fire that might start.

50,000 business men today find that a Detex Watchclock System best meets their needs—today they are operating 80,000 Detex Watchmen's Clocks—and to a large extent each one is paid for by the credits accruing through its use—frequently lower rates and always a fine sense of security.

WRITE for any desired information.

DETEX WATCHCLOCK CORPORATION
4153 Ravenswood Ave., Chicago, Ill. 29 Beach St., Boston
90 Varick St., N.Y. Room 800, 116 Marietta St., Atlanta
NB-7



showed modern, obviously comfortable farmhouses and high, wide barns. His tenants are men of means. Many of them own one or more farms but prefer to stay as tenants on the Sibley farms where their families have been for several generations. One of the photographs drawn from the billfold showed a combination corn husker at work. The machine snapped off the ears and husked and loaded them as it moved down the rows.

"That's the modern way to farm."

"Do you own that tractor and machine?"

"Oh, no. The tenant owns it."

Farmers have gradually been losing the horse market which once meant so much to them, he admitted. Many of our younger farmers hate to plough behind a team now. They feel that the horses are too much to care for and too slow. It is not so picturesque but it is much less work to use a tractor a few weeks a year. Moreover, modern machinery has eliminated the old problem of farm labor, which was often missing when it was most wanted. Gasoline does the work. The farmers on his place get together and help each other in harvest time. Have a good time, too.

"However, some of our best farmers still stick to horses. I am not prepared to say," he added, "that the tractor farmer can do a better job or make more money."

He has the brown-skinned, clear-eyed face of an outdoor man. The farms have been in the Sibley family 70 years and have always been profitable, broadly speaking. There is another ranch in Alberta, Canada, and one in California and his great grandfather's farm in New York state. He is interested in other enterprises, too. Coal and iron companies and banks and the Provident Loan Company, and hospitals and lumber and community chests and the YMCA, but his interest seemed to turn constantly to-

ward the farms. Every fall he buys hundreds of feeder calves from Texas and feeds them on his Illinois and New York farms. Made a good bit of money this year on them, too. The previous year he had lost a little money on a similar transaction.

"No farmer can expect to make money every year."

He is a big-game hunter, although that seemed not to bulk large in his interest. He went to Africa with a party of three friends—"just for the experience"—and had a good time. But out in California he has prize bulls on his ranch, which is close to that of William R. Hearst, and in Canada he is raising some fine cattle but the tariff is interfering with profits. In Illinois he went along with the original AAA program.

"At the time and for the emergency it seemed the best thing to do."

Outside of farms he is interested in the problems America is facing today. No man has a right to grab off more than his fair share of the income produced by farm or factory. The management is entitled to a share, and the investor, and the working man. No one of them should be permitted to take more than a fair share. Any program which tries to hog the gains should be stopped.

"Hand-outs are un-American and dangerous. It is dishonest for one class to try to rob another class. That is not sharing wealth—that is destroying wealth. Management and capital and labor are three elements which must work in concert. Otherwise there is chaos. Unsound laws will destroy the relative security that has been built up in the United States for all three classes. But security cannot be legislated. It must be earned."

Work and self-control and saving produce security.

"It cannot be paid for out of confiscatory taxes. Not for long. The taxes will eventually dry up."

Bills Which Puzzle Business

MANY of the measures being considered by Congress as this magazine goes to press will have important effects on future plans of business men. Although none of them have yet reached their final form, it is possible to examine the general proposals which are made and to consider what results they might have if passed.

Here are appraisals of three:

The Holding Company

APPARENTLY the electric utility holding company must go. Provisions

of the holding company bill passed by the Senate, explanations in the majority report of the Senate Committee on Interstate Commerce and statements on the Senate floor, all point to its elimination. So with the holding company out of existence, what conditions confront the light and power industry, and its consumers and investors?

Assuming that the bill is to become law in about its present form, there will be a period of transition involving liquidations, reorganizations, and adjustments, the duration

of which depends upon the Securities and Exchange Commission which is to be given broad discretionary power. However the consumer's chief interest lies in the conditions which are to obtain after this transition period.

One may ask at the outset whether this is another instance of "back to the horse and buggy days". Many people believe that the legislation will result in breaking the light and power industry up into a lot of largely isolated units. In fact, one argument in support of the legislation is that we need more "home rule" and local interest in the power business. Local pride, social progress and the like, reenforced by wisdom from Washington, is expected to provide the incentive to expansion and technological development formerly inspired by the holding company's desire for profit.

Abolishing many companies

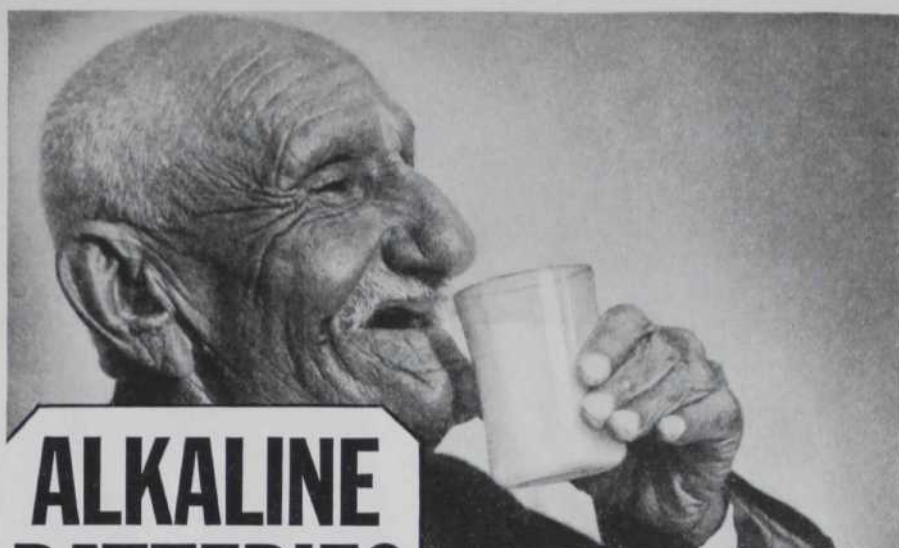
LET us look at some of the major changes which the proposed legislation would bring about. An example will illustrate. Holding company A operates in various sections, and among its holdings is a majority of the common stock of operating company B. Under the bill, this financial interest must be liquidated promptly, transferred to a newly created "regional" holding company or combined with other severed company ties and placed in the hands of the Securities Exchange Commission as a result of an enforced or voluntary receivership. The courts must appoint the Commission sole trustee, or else consult it regarding appointments.

Liquidation would unquestionably involve the sacrifice of much of the long-range value of such securities. The second alternative has only limited application because the bill specifies that a holding company may survive only when state laws make such a device necessary for the operation of an integrated system.

The third out for a holding company is to go into receivership. In this event the Securities and Exchange Commission virtually supplants the holding company and may vote the operating company's stocks, appoint its directors, influence its management and otherwise usurp "home rule" regulation which the bill is supposed to foster.

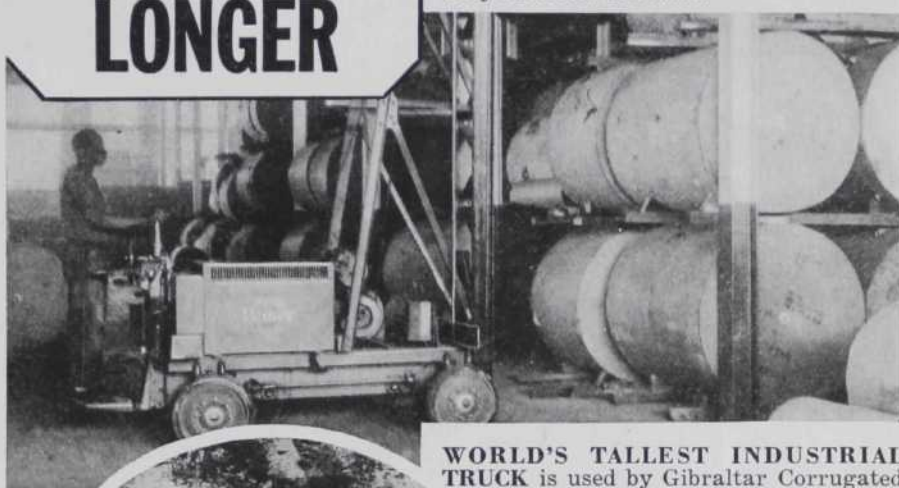
Obviously, the Security Exchange Commission cannot act of itself in all holding company liquidation and dissolution cases, but it could appoint trustees and receivers. Thus the whole light and power industry has opened up before it the possibility of political domination.

Because the powers of the Commission lack definition, all these



ALKALINE BATTERIES LIVE LONGER

AGE 156—Zaro Agha lived to twice the ordinary age. Edison Batteries, being alkaline, live 2 to 5 times longer than ordinary batteries. That means lower battery depreciation charges in mining service... railway air-conditioning or car-lighting... industrial trucks... wherever heavy-duty batteries are used.



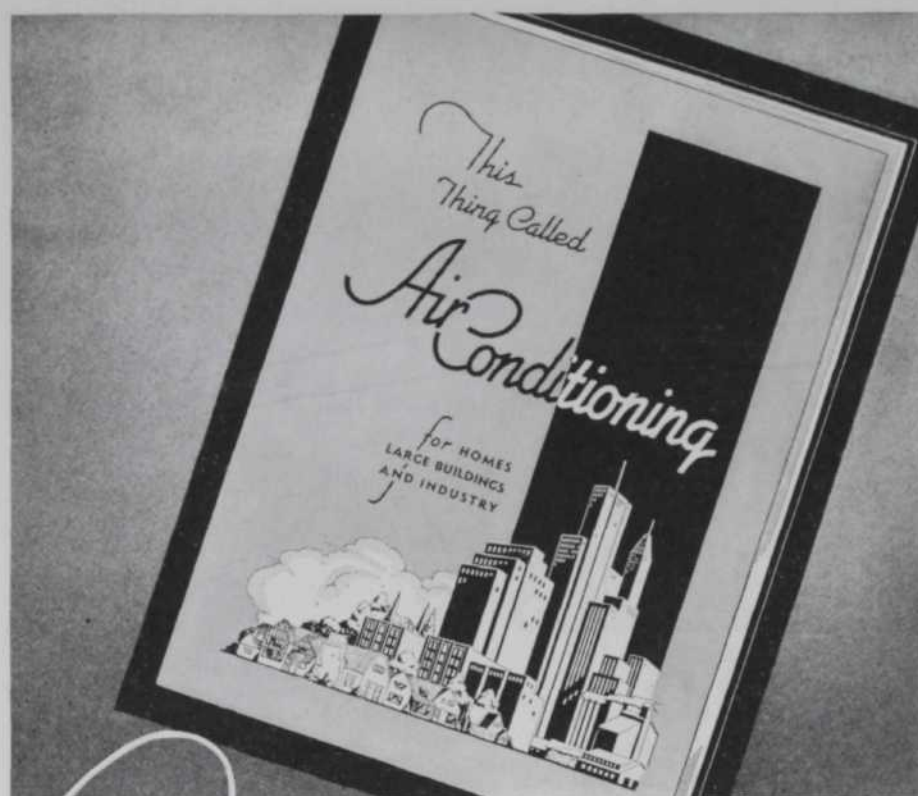
WORLD'S TALLEST INDUSTRIAL TRUCK is used by Gibraltar Corrugated Paper Co.—and will pay for itself in savings within 9 months! An Edison Nickel-Iron-Alkaline Battery powers it. Inquire what Edison-powered industrial trucks will save you.



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things are possible. Viewing the situation as favorably as possible from the viewpoint of continuing the holding company relationship, let us assume that the Commission has no desire to wipe out holding companies, and that the Federal Power Commission will include wherever possible a state with laws that make the holding company relationship necessary.

Holding companies, thus favored, would have to discontinue all their management, engineering, construction and other services to operating companies. Under these limitations, the holding company would become a kind of investment trust. To assume that the holding company will continue to hold its investments under such conditions is unreasonable. The junior securities which they invariably hold, almost to the exclusion of other securities, represent the greatest risk assumed in business enterprise. No trustee or director could afford to continue to hold them long as the sole investment of his company.

Complicated regulation

IN PLACE of the holding company then, we are to have, first, the Securities and Exchange Commission, supervising the financial interests of the light and power industry; second, the Federal Power Commission, as technical adviser to the Securities and Exchange Commission and the regulating agency of the Federal Government for all interstate power movement; third, mutual service companies regulated and directed by the Federal Power Commission.

Such conditions cannot fail to decrease state control because state commissions have learned that federal cooperation means federal domination. The division of authority is ill-defined in any event, and duplication of effort will be unavoidable. This means added cost either to the consumer or the taxpayer. Whether the benefit derived is worth the cost is questionable.

Do you sell any goods, render any service, carry on construction, own any voting securities, or exercise any influence in a holding or operating utility company? If so, then by the broad power given the Securities and Exchange Commission you may be declared an "affiliate" and come under the careful surveillance of the Commission and find your use of the mails restricted unless you act in accordance with

such rules and regulations or orders regarding reports, accounts, costs, maintenance of competitive conditions, disclosure of interest, duration of contracts, and similar matters as the Commission deems necessary or appropriate in the

public interests, or for the protection of investors or consumers or to prevent the circumvention of the provisions of this Title or the rules, regulations or orders thereunder.

Such is the scope and freedom of the Commission in choosing the persons who are to be permitted to deal with public utility companies in the future.

The average citizen who purchases electric energy will notice changes. He may pay less for the current he buys, in case federal domination, coupled with competition, forces the kind of rate making that has been developed for the Tennessee Valley. However, deficits which such reductions promise to entail will mean increased taxes. What electricity costs, someone must pay.

The consumer of electricity in the United States has had unexcelled service. Whether this service will be maintained under severely limited profits, a kind of regulation that assumes the rôle of management, and such political interference as inevitably creeps into the administration of such legislative acts, is vastly more important to the consumer than fractional rate reductions.

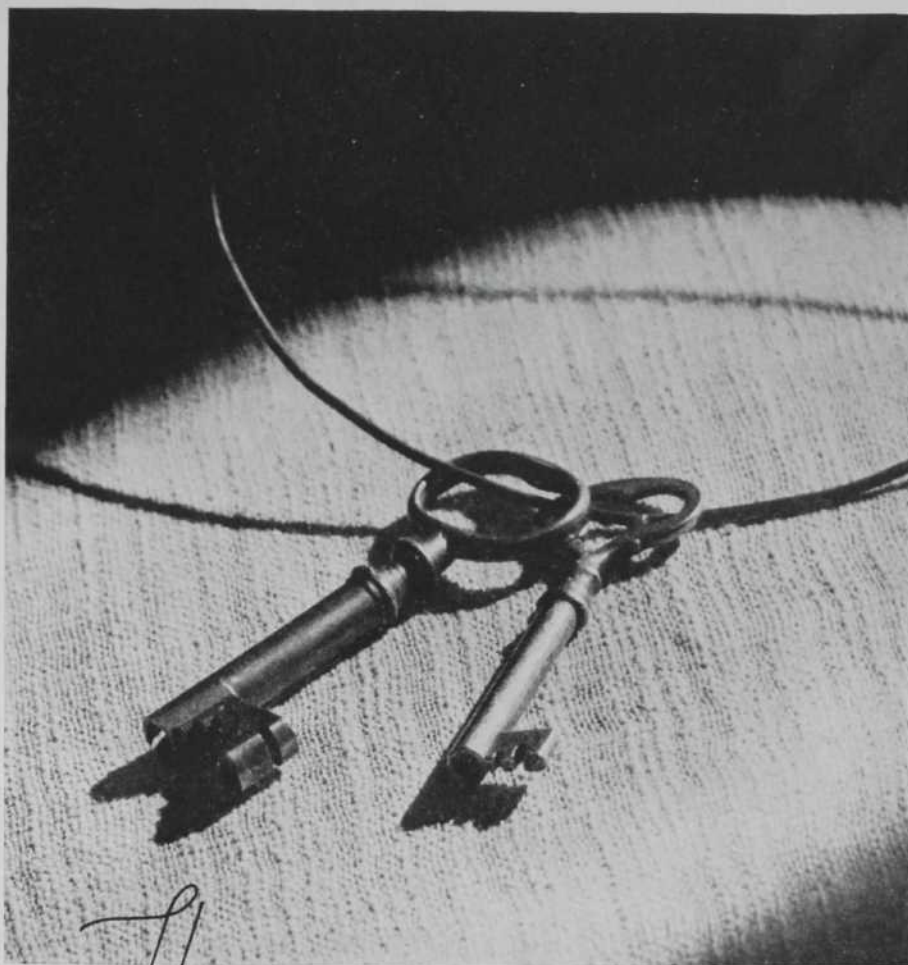
The use of electric energy is far from the saturation point in every field. Proponents of government ownership assert that this lack of saturation is due to high rates. Unquestionably consumption will increase with rate reductions. But the limit of economical rate reductions is the sum total of all costs. Greatly expanded use of electricity depends upon the reduction of costs more than rates. The progress in cost reduction as found in increased plant efficiency, diversification of market and investment and technical development, is the enviable record of private initiative and private ownership. This progress and development has required large amounts of capital. Costs have been reduced in the face of rising wages, rising costs of material and increasing taxes. This progress has been due largely to the holding company's ability to obtain capital at low cost.

Government Dominated Unions

OSTENSIBLY designed to destroy company dominated unions, the Wagner Labor Relations Bill would entrust the fate of all labor organizations to the control of a permanent federal tribunal.

An avowed purpose of the bill is to diminish the causes of labor disputes.

To accomplish this, it would re-enforce the basic principles of Section 7 (a) by specific prohibitions against activities by employers that could be



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Foresight and commonsense . . . these are the keys which open the door of self-reliance, of independence, to thousands daily. Foresight in securing adequate insurance protection. Commonsense in placing this insurance in dependable institutions with unquestioned records of progress and payments. • Over a million people depend upon the Standard of Detroit to protect their persons, their business and their property against a multitude of hazards. A financially sound institution with 51 years of service, Standard has paid over \$140,000,000 in claims. Throughout America it is ably represented by 6,500 professional insurance counselors, each of whom is pledged to serve Standard policyholders without hesitation in time of need. • If you, too, would enjoy a confident, worry-proof future, seek the counsel and service of your local Standard agent.

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construed as constituting domination of labor organizations.

But the bill is not confined to prescription of offenses by employers. Included are provisions which would enable the Federal Government, through the National Labor Relations Board, to exercise dictatorial powers over all collective bargaining agencies.

The bill gives the National Labor Relations Board unrestricted authority to determine what constitute appropriate units for collective bargaining. The units designated by the Board could be employer units, craft units, plant units, or any other units. Other provisions would impose arbitrary restrictions on employees and their organizations. Section 9 expressly limits all collective bargaining to negotiations between the employer and the representatives of employees chosen by the majority in each unit. This provision would deprive individuals or minority groups of the right to self-representation.

Restrictions on employers

THE bill would abridge the rights of employees in other important particulars. Although the provisions of Section 8, enumerating certain unfair labor practices, would be directly applicable to employers only, they would also have the effect of bringing about drastic changes in relations between management and workers hitherto found satisfactory to both parties. Under the terms of Section 8, an employer would be prevented from:

1. Interfering with, restraining, or coercing employees in the exercise of their rights of self-organization and collective bargaining.
2. Dominating or interfering with the formation or administration of any labor organization or contributing financial or other support to it. (Employees could, however, confer with their employer during working hours without loss of time or pay subject to rules prescribed by the Board.)
3. Encouraging or discouraging membership in any labor organization by discrimination in regard to selection or retention of employees or in regard to terms of employment. (Closed-shop agreements are, nevertheless, expressly sanctioned, provided they are negotiated with a labor organization representing the majority of the employees in an appropriate collective bargaining unit.)
4. Discharging or discriminating against employees because of filing charges or giving testimony under the act.
5. Refusing to bargain collectively with the representatives selected by the majority of the employees of an appropriate bargaining unit, as designated by the Board.

The prohibition against domination or interference with labor organizations is obviously intended to outlaw company unions, or employee

representation plans, even though employees may have chosen such plans as the most appropriate means for collective bargaining. It would make illegal such acts by the employer as granting use of company property for employee meetings, or defraying the cost of election ballots.

By expressly sanctioning closed-shop agreements, the bill would operate to deprive substantial numbers of employees of their right to freedom of contract. It would enable a union which induced an employer to sign a closed-shop agreement, to force all employees to become members of the union or forfeit their jobs. If an employer signed such an agreement, it would thereafter be illegal for him to hire or retain in employment anyone who did not wish to become affiliated with the union, or who was ineligible for membership. These provisions would engender new unemployment by depriving substantial numbers of workmen of an opportunity to pursue the occupations for which they have trained themselves.

The deliberate omission from the bill of any provision for restraining strong-arm tactics by labor unions is itself indicative of the bill's real intent. In fact, it would have the effect of preventing employers from acting to protect their own employees from the coercive tactics of labor organizations. The prohibition against employer interference would create new opportunities for agitators to foster discord among employees. An employer would be restrained from informing his employees of the real nature of a labor organization attempting to destroy his business at the instigation of a competitor, or trying to overthrow the Government, or participating in racketeering or other dishonest practices.

Apart from the untoward effects on employees, the bill, in the judgment of industrialists, is utterly defective in principle. The chief personnel officer of a great steel company has characterized it as prescribing "a formula for the conduct of human relationships in industry which is an unpalatable, unrighteous and unjust technique imposed upon us by demagogues."

To employers' charges that it is impracticable and unwise to vest in any federal agency such extraordinary powers and such extreme latitude of discretionary authority over employer-employee relations, the proponents of the bill have a ready answer. They say, in effect, that the fears that the Board would exercise its functions capriciously or in a dictatorial manner are ill-founded; that confidence should be placed, in advance, in the prudence, impartiality

and reasonableness of the Board's rulings.

The only indication of what may be expected in the future is to be found in the record of the original National Labor Relations Board, created a year ago. In the course of its deliberations, the Board has considered it necessary to pass judgment not only upon specific actions of employers and employees in their mutual dealings, but on the motives behind those actions.

The future of the trade union movement in this country would be most uncertain should the unions' present demands for federal regulation of labor relations be fulfilled. One may well question whether it would be in the real interest of organized labor itself to give to any federal agency the dictatorial powers that would be vested in the Board by the Wagner Bill. A friendly board, it is true, would have limitless opportunity to promote unionization. Whether the kind of trade union that future members of the Board might seek to encourage would meet the approval of the present hierarchy of organized labor is, however, another matter, and one which might have the most serious consequences to labor officialdom.

Social security

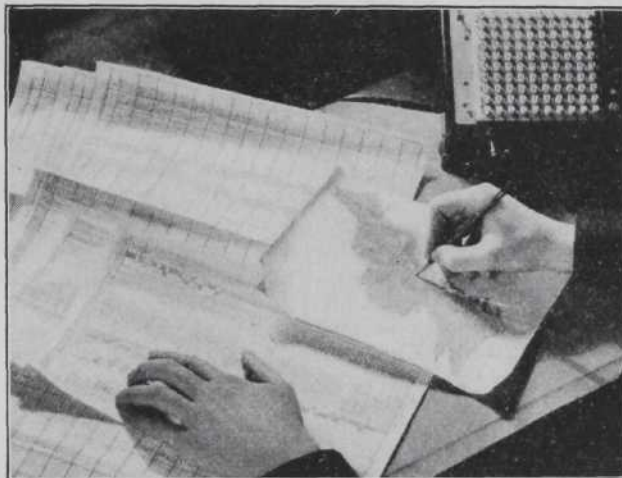
THE Administration's program for providing protection against the major personal hazards of life has undergone many changes in the course of its development. Since the original bill was introduced last January, congressional committees have made many amendments affecting basic principles, cost, and scope of coverage. In its present form, the bill completely satisfies no one.

The pending bill is an omnibus measure. It provides for assistance to aged, indigent persons; for unemployment and old-age benefits for employees of private enterprises; for aid to dependent and crippled children; for appropriations for maternal and child health, child welfare, vocational rehabilitation and public health; for the care of the blind; and for the sale of annuities to individuals.

The provisions directly affecting employers are those relating to benefits for old age and unemployment.

The bill deals with two different kinds of old-age benefits. The plan for grants to states for old-age assistance is intended to provide federal financial support to state public old-age pension systems. More than half the states already maintain such systems. Federal aid would be restricted to \$15 a month per individual and, subject to this limitation, the amount

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of federal funds allotted to each state is to equal 50 per cent of its total expenditures for aged, indigent citizens. The bill also establishes a national employees' retirement system applicable to all persons engaged in industrial and commercial employment. Through this plan, it is maintained, the expense of providing funds for state old-age assistance can be kept within reasonable limits.

To collect old-age reserve

TO support the government retirement system, characterized in the bill as the "federal old-age benefit plan," special federal taxes are levied upon employers and employees. The proceeds from these taxes are to be used to build up an old-age reserve fund to finance payment of benefits. Only employees subject to the special tax are eligible to the federal benefits. Such employees, reaching age 65 and withdrawing from taxable employment, become entitled to a monthly pension for life. The amount of the pension ranges from \$10 to \$85 a month, depending upon length of service and total wages. Administration of the plan is vested in a new government agency, the Federal Social Security Board.

With respect to unemployment compensation, the federal bill provides no benefits for anyone. It undertakes to force states to adopt unemployment benefit laws. It levies a federal pay roll tax on employers against which credit would be allowed for contributions to state unemployment funds. Standards for state laws prescribed by the bill restrict the discretion of legislatures in devising their state plans.

A provision of the bill requires states to deposit in the Federal Treasury all proceeds from the taxes levied to support their plans.

Official estimates of the initial cost of the entire program instituted by the bill afford no real indication of the magnitude of the obligations assumed by the Federal Government. While the bill imposes special taxes for federal old-age benefits and for unemployment compensation, funds to maintain the other plans are evidently expected to come from the Treasury.

For the fiscal year 1935-36, the appropriations authorized by the bill to support its miscellaneous provisions slightly exceed \$100,000,000. In succeeding years the costs would mount rapidly, the exact size of the annual appropriations depending largely upon expenditures for various state welfare plans. By 1945, the annual federal appropriation for the state old-age assistance plan alone would approximate \$500,000,000.

The direct cost to employers would depend entirely upon their pay rolls. The federal tax for old-age benefits is to be levied first for the year 1937. The initial rate is one per cent of pay roll, excluding remuneration of employees drawing more than \$3,000 annually. The rate would increase by one-half of one per cent at three-year intervals, until 1949 when the full permanent rate of three per cent first becomes effective. Identical rates apply to the tax on employees' wages for the same purpose.

The federal unemployment compensation tax, which is levied upon employers exclusively, ranges from one per cent of total pay rolls for 1936 to three per cent in 1938, and subsequent years. This tax would apply to all employees' wages and salaries regardless of the amount.

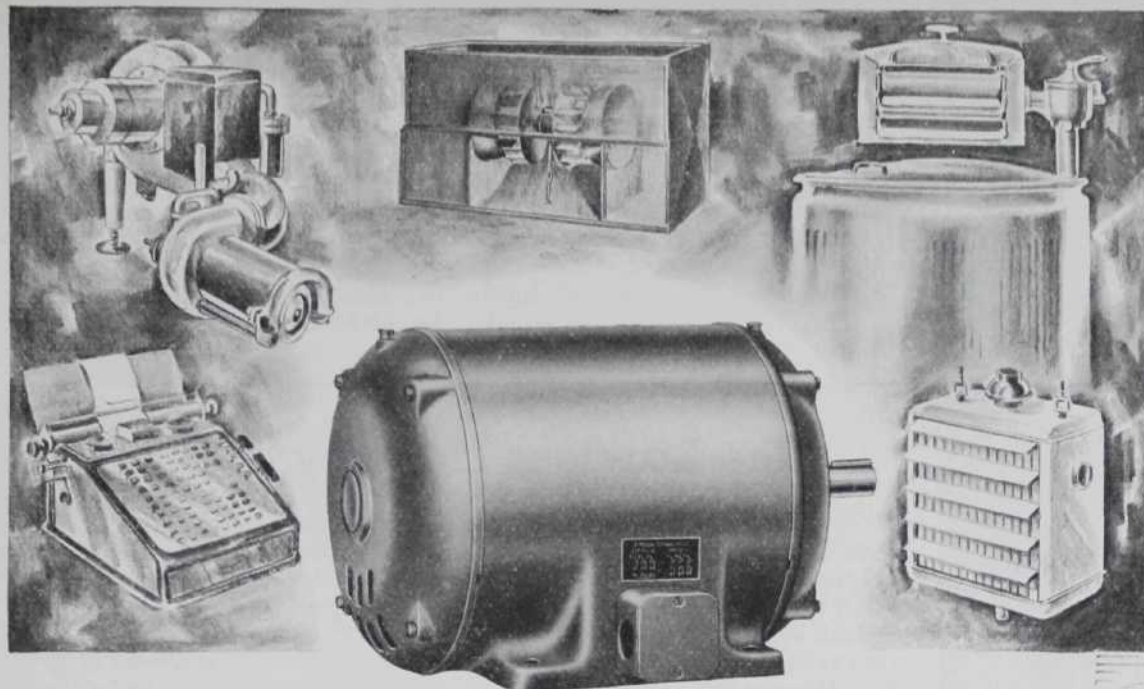
Estimates by the Senate Finance Committee indicate that receipts from the special federal taxes imposed on employers would range from about \$875,000,000 in 1937 to \$1,850,000,000 in 1950. Thereafter the increase is expected to be less rapid. Including the sums collected from the tax on employees for old-age benefits, the receipts from the special taxes would total about \$1,150,000,000 in 1937 and \$2,800,000,000 in 1950.

These figures are subject to the qualification that, if the purpose of the federal tax for unemployment compensation is fulfilled, the receipts from that tax would be only ten per cent of the present estimates. Employers in the states with approved unemployment compensation plans would deduct the amount of their contributions to state plans from the federal tax up to a maximum of 90 per cent. Regardless of the rate of contributions to state plans, however, the Federal Government in each year after 1937 would always collect from every employer a tax equivalent to three-tenths per cent of his total pay roll.

Minimum federal appropriations for the entire program would range, according to conservative estimates, from \$1,300,000,000 in 1937 to more than \$3,000,000,000 in 1950, and would continue to rise indefinitely.

The provisions for old-age benefits would operate as a compulsory savings plan for millions of employees. These savings, however, would be placed in the custody of the Federal Government and forever be beyond their control.

Both the provisions for old-age benefits and unemployment compensation would operate to prevent or discourage employers from developing benefit plans applicable to their own employees. Continuation of privately-administered employees' re-

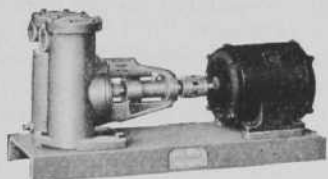


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tirement plans and the creation of new plans of this kind would be most impracticable. Moreover, the unemployment compensation features of the bill would have the effect of penalizing employers who have used, and would wish to continue to use, their own resources to provide work and wages for employees in excess of current operating requirements.

The restrictions on state unemployment benefit plans imposed by the bill would require employers to make

uniform contributions for many years regardless of the degree to which they had succeeded in stabilizing their own operations. Instead of providing real incentives for regularizing employment, the bill would serve as a deterrent to expansion in personnel and increases in pay rolls. Commercial, mercantile and financial institutions, which have a large proportion of salaried employees and comparatively low labor turnover, would be at a special disadvantage.

The Lawless Honesty of TVA

(Continued from page 18)

value of its property in fixing rates, and not at all its capital stock. That is why there is such a constant hullabaloo all over the country over "valuation" cases. The utilities are trying to get the regulatory bodies to accept a higher valuation for their properties, so that they may with reason sell their services for more money. Precisely the same reasoning leads the TVA to attempt to mark down the value of their properties, so that they may charge a lower rate. The lower the rate the more valuable the "yardstick" to those who wish to indict, convict and demolish the utilities in one operation.

The existence of these blind spots in the Authority's vision, I shall always insist, should be recognized in the most temperate fashion by those who do not agree with them. As I have maintained at perhaps undue length, these are honest men and when they twist figures to make a better case for themselves the twisting is done in a genuine belief that they are justified in fighting the utility devil with statistical fire. It is when they resort to the argument *ad hominem* that I find myself somewhat faint in my admiration. They are, it seems to me, somewhat too prone to abuse their opponents.

It is sometimes possible to silence a man with a club. It is more difficult to convince him.

When Comptroller General McCarl revealed to the Military Affairs Committee of the House of Representatives, before which body he had been called, the indifference to law and fact his auditor had discovered in the TVA, he was at once made the target of a violent assault. McCarl had made this statement:

"We have been going far enough in this haphazard way."

He would, he said, propose an amendment to the TVA act to compel the Authority to buy only on competitive bids. The response came promptly from Senator George W.

Norris of Nebraska, who is the sponsor for the TVA activities. It was Norris who fought without pause or discouragement for a utilization of the works at Muscle Shoals, which he maintained was a resource of great national value which was going to waste. It was also Norris who brought McCarl to Washington as his private secretary years ago, and the two men have always been warm personal friends:

"I cannot explain McCarl's critical attitude toward TVA," he told newspapermen, "unless it is another case of a man who got the presidential bee and was spoiled by it."

This was a dig at the fact that Nebraska Republicans have been promoting McCarl for the presidential nomination in 1936. McCarl has never recognized the movement. Norris continued in his best senatorial manner when utility problems were being considered on the floor of the Upper House:

"He shows a Power Trust attitude," said he.

Norris followed with a statement which more sharply illustrates the naive certainty of righteousness of all those connected with the TVA—and that statement includes the subordinates and employees, so far as I have met them—than any other utterance since the TVA became a matter for national concern.

McCarl is unswerving

"I THOUGHT all I'd have to do," said Norris, "was to write to McCarl and call his attention to the obvious errors and they would be corrected. Instead, I got a reply that his assistants had long experience and he had confidence in them."

If conditions had been reversed, and another senator had written to a public official in the extremely exacting post occupied by Comptroller General McCarl in the interest of a private utility scheme, Senator Norris' powers of vituperation might

have justly been exercised in criticism. It is one of the known facts of Washington life—as well recognized as the Monument—that neither private nor public nor political influence has ever swung McCarl one hair's breadth from his routine of cold-blooded, implacable, enforcement of the fiscal law. I am certain that Senator Norris has never suspected that his course might be open to question.

Senator Norris' mild paraphrase of McCarl's reply hardly does the Comptroller General justice. In fact, he remarked that while his subordinates had frequently suffered "abuse" for doing their duties, he had never found reason to suspect any of them of accusing "unjustly or in any manner unnecessarily questioning the honesty of official action." He did find a uniform conviction among them that many of the exceptions taken to the TVA methods might have been avoided if:

Those acting for the Authority had more carefully and whole-heartedly given effect to laws considered by this office as applicable to TVA transactions and designed to produce the best results and to minimize room for criticism, just or unjust, of transactions public in nature.

Claiming too much authority?

HE specifically stated that he found no suggestion of dishonesty in the Authority's transactions, but that, although wide authority is vested in it:

"It is not specifically authorized to disregard all laws applicable to the manner of conducting the public business and involving the pay-out of public money."

Particularly the Authority had taken the view that it was not bound by the law which provides for competitive bidding in making government contracts. The Authority has claimed the right to the same freedom of contract exercised by the ordinary business company, but it is doubtful if any member of the Authority would concede to Mr. Wendell Willkie, president of the Commonwealth and Southern Company, the right to give contracts without competitive bidding. Mr. McCarl mildly observed that:

If the TVA may disregard the statute that has for so long a time safeguarded the public interest in purchases—then there has been granted the Corporation a breadth of authority over a vast sum of public money far beyond, in my judgment, that realized or intended by a major proportion of those who supported the legislation.

He warned that failure to observe competitive bidding "frequently results in waste and always leaves room for charges of favoritism or worse."

"If the project," he added, "possesses the merit as apparently so con-

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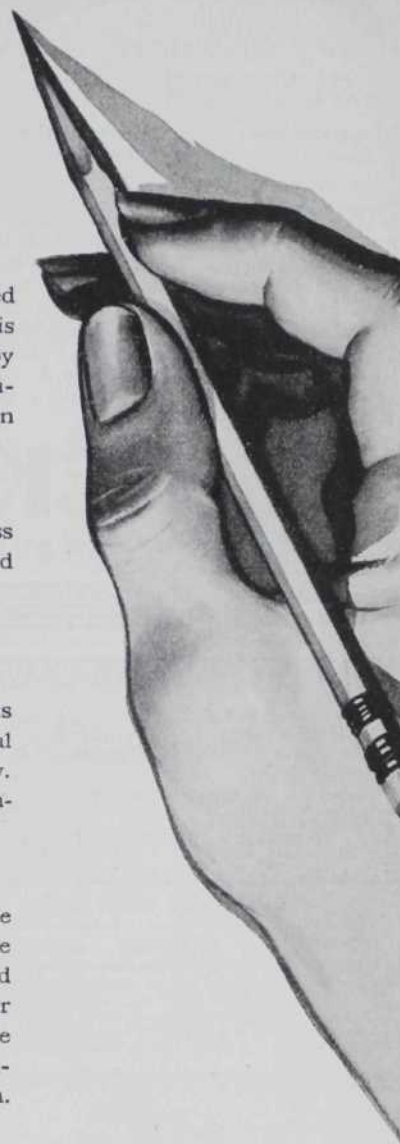
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fidently believed by its sponsors, its accomplishments should not be handicapped by administrative conduct unnecessarily open to question and even charges of waste and favoritism."

His office would, he continued, question those items which seemed of doubtful nature.

The net result of these words which came with the more violence because of the character of the man who uttered them was that the attitude of the Tennessee Valley Authority was not changed at all. Unless it is recognized that the three members of the Authority are armored in righteousness, then it is difficult to comprehend their acts. Arthur E. Morgan passionately opposed the proposed amendment to the TVA law compelling the Authority to submit to audits and competitive bidding.

"It is sometimes possible to save cents at the cost of dollars," said he.

Mr. Lilienthal agreed. Senator Norris charged that McCarl is trying to control the TVA through the power of audit. The engineer, Cassidy, who had prepared a digest of the McCarl audit for use of the House Military Affairs Committee, was inferentially accused of being in the pay of the Power Trust.

Charges and countercharges

ANDREW Jackson May, Democratic Congressman from Kentucky, who had been prominent in uncovering the bookkeeping oddities of the TVA—he also thinks it "a positive destructive force to democracy and a stench in the nostrils of those who cherish the ideals of Thomas Jefferson"—came under fiery attack:

"He is a millionaire coal mine owner," was the immediate charge.

"I am a poor man," May replied, "and I haven't a thin dime in anything connected with the coal business."

Many of the exceptions taken by McCarl to the TVA methods and bookkeeping are susceptible of explanation, he believed. His auditors questioned the use of airplanes instead of railway trains, and found a tremendous sum had been spent in renting automobiles although the Authority owned a large and satisfactory fleet. They could not understand why the Authority should buy dairy cattle. The improvement of the mountain breed could be effected at a lower cost by the purchase of \$25 bull calves, whereas at least one of the cows cost \$950. It is also hard to understand why the dairy's milk, rich with six per cent butterfat, should be traded for the four per cent milk of another dairy. But this article is not proposed as an inquiry into McCarl's inquiry, but rather as an at-

tempt to penetrate the dark mystery of the ethical attitude of the members of the Authority.

I have repeated to the point of weariness my absolute belief in the honesty of these men. It is hard for me to understand why a thing they would furiously reprehend if done by a private utility seems one of the works of grace when done by themselves. There is, for instance, the case of the Aluminum Company of America and its dams on the Little Tennessee.

Hindering private work

FOR years the Aluminum Company has maintained works at Maryville-Alcoa, the power being derived from a hydro-electric plant on the river. Just as the TVA itself proposes to do, the company planned to build six or seven more dams up the river. In this way the water could be let down to the turbines as needed, and its loss through flood run-off could be prevented.

"We may be compelled to discontinue these plans," A. V. Davis, chairman of the board of the Aluminum Company told the House Military Affairs Committee. "My objection is that Section 26(a) puts our undeveloped projects under TVA jurisdiction."

The fact was developed that the TVA had purchased two small tracts of land in the upper valley of the Little Tennessee. The Aluminum Company had been buying the land its dams would overflow for \$25 or \$35 an acre. The TVA bought its two tracts for prices approximating those of a residential lot in a good-sized city. Arthur E. Morgan told the committee very candidly that the TVA had done this to control the future action of the Aluminum Company.

"They will enable us to force co-operation," said Morgan, "and keep the company from dictating to the TVA."

Might have helped the taxpayer

IF THE boot were on the other foot and the Aluminum Company had bought land which might be overflowed by the TVA dam, the imagination need not be stretched to discover the thunderous indignation the TVA would manifest. The truth seems to be that if the Aluminum Company does build the six or seven dams it had been planning on the Little Tennessee it would by so much lessen the burden on the taxpayer, because the TVA had planned to build on that Little river itself. Morgan said that the Aluminum Company's building would disrupt the TVA program. It might to the extent that it

would lessen the flood of power the TVA planned to create on the tributaries of the Big Tennessee. But it would not lessen the power the TVA could make at its present power plant. There is no way by which the Aluminum Company could withhold one drop of that water from the Big Tennessee into which the Little Tennessee flows.

A final instance of this particular state of mind on the part of the three members of the Authority and I am through. Federal Judge Grubb at Birmingham ruled some time ago that the Authority had the right under the law to sell such power as might rightly be called "surplus," as an economical by-product of its operations, but that it lacked the statutory authority to turn the TVA project into a gigantic power producing corporation for the purpose of competing with privately owned utility companies. The decision turned on the use of the word "surplus." An amendment to the TVA act was proposed to Congress granting it the right to sell whatever power it might produce.

"The purpose," said Representative McLean, Republican of New Jersey, "is to change the electric power policy of the existing law."

"I happen to disagree with that," said Lilienthal angrily.

What is a "surplus"?

IT would cure, he admitted, the defect in the law which, under the Grubb decision, prevented the legal sale by the TVA of any power that was not "surplus" in fact. It was aimed to cure that defect. But he said it made no difference. The word "surplus" he said, "had no significance." They merely wanted to get it out of the law. I find it extremely difficult to follow the reasoning used by Mr. Lilienthal in this discussion.

It seems to me that "surplus" has an abundance of significance and that until it is outed their hands will be tied.

But I am sure the three members of the Authority will tell me that I am wrong.

They are grand men and I like them.

Values Decide Trade Trends

HOW one step toward change of the economic order by government fiat inevitably leads to another is well exemplified by the proposed curb on specified exports. As the AAA sees it, the way to make Europe buy more American agricultural products is to refuse to sell her all the manufactured goods she wants.

In a public statement, Chester C. Davis, administrator, invites attention to a 120 per cent jump in American automobile exports last year whereas cotton exports declined 30 per cent.

His suggestion was the first made publicly from a responsible quarter in the Government that the federal authorities actually curb exports of any class, but Mr. Davis said it was in line with the general plan of a governmental control of all American foreign trade. The theory is that Europe has only so many dollars with which to purchase American goods and that if we limited the number of cars she could buy, she would have relatively more dollars for our cotton and other agricultural products.

To Alfred Sloan, president of General Motors, the suggestion has all the earmarks of another excursion into economic wonderland. Why discriminate against the motor makers, he questions, for their competitive efficiency in world markets when the real difficulty is traceable to "the

fallacy of the theory of scarcity which has hypnotized our economic thinking?"

He asks:

Why are the world markets absorbing an increasing number of American motor cars, and why are they absorbing a decreasing amount of American cotton? It is simply because they can buy greater value of motor cars in the world markets from America than from anywhere else. Now as to cotton. The circumstances are directly opposite. Other producers of cotton are glad to sell at lower prices, hence they get the business. The number of dollars available in foreign exchange is, to be true, a factor. But far more fundamental is the question as to whether the deal is possible irrespective of foreign exchange. It certainly is not, because it is not profitable to the buyer. The whole situation is very plain.

Sellers must be buyers

THE state of mind argues a belief in the superior mouse trap explanation of business. Certainly he is not alone in his faith that the world's buyers will manage to get the best values for their money, irrespective of artificial barriers put in the pathway of a free exchange of goods.

The decisive question is whether the attempt to stimulate one market will starve another. Official zest for ingenuity of treatment seems in a way of obscuring the fate of the patient.

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What Bankers and Investors Discuss

Despotic bank bill

JUNE saw the opposition to the banking bill of 1935 take shape and grow stronger. To say what will happen to a bill when hearings are not yet completed is, at best, guessing. Anything written here may be disproved by the facts before it is read.

Potent names among those who opposed the bill were Winthrop W. Aldrich, Chairman of the Board of the Chase National Bank of New York, and Owen D. Young, Chairman of the Board of General Electric.

Mr. Aldrich drew what was perhaps the sharpest and clearest indictment of the bill—or, at least, of Title II, the section of the bill chiefly under fire. "Despotic" was his word. The bill would, he said, grant to a board, which might be under political control, powers that are dangerously great—powers which he thus enumerated:

First, the power to force on the Federal Reserve system an indefinite amount of government obligations of any and all maturities whether purchased directly from the Treasury or not.

Second, the power to fix rates of discount and interest charged by the Reserve banks.

Third, the power to fix at will what deposits the member banks shall keep with the Reserve banks.

Fourth, the power to lower the standards fixed in the law describing the quality of paper the Federal Reserve banks may buy or lend upon.

Fifth, the power to dilute the currency.

Sixth, the power to force the Reserve banks to engage in whatever open market operations it may decree.

"This," said Mr. Aldrich, "is not liberalizing the Federal Reserve system. It is making it over into an instrument of despotic authority."

Mr. Young, speaking with experience gained as a Reserve Bank director, urged caution in any changes in the Federal Reserve system at this time, explaining:

It isn't the bankers who are holding back the credit. They are eager to make it work, because in no other way can they earn their living. It is business which until now has been too apprehensive to use the credit. So I say the way to get recovery today is to do nothing more and threaten nothing more to shake the confidence of business men. It is careful conservatism, not radical new departures, which will get now the activity which we so sorely need.

Divided opinion of banks

IT WAS not easy to bring the banks of the United States into line in united

opposition to the bank bill. The large banks in the metropolitan cities do not always see eye to eye with the banks in the smaller communities.

The smaller bank's interest was centered in Title I of the bill. It wanted the Federal Deposit Insurance Corporation continued and it was perfectly willing that the larger banks should contribute for that purpose, not in proportion to the amounts of their insured deposits, but in proportion to their total deposits. The Federal Insurance plan is highly important to the small banks because of the continuing threat of Postal Savings as a competitor, since interest rates have been lowered and second, because many of these banks still hold assets that can only be liquidated slowly and, with the Federal Insurance plan in operation, the depositor feels that he need not worry. For these reasons, many smaller banks were comparatively indifferent to any outcry about the danger of increasing federal power over credit. "Safety first," was their motto and "safety first" to them meant a continuance of Federal Deposit Insurance.

Encourages unsound lending

THE Building and Loan companies are opposing the clauses of the proposed bank legislation which increase the power of commercial banks. Morton Bodfish, executive vice president of the United States Building and Loan League, said:

This bill proposes to continue and encourage the mortgage activities by banks which were a factor in the recent over-expansion and collapse of credit. This overexpansion in long-term credits was responsible for numerous failures in the banking field, and, at the same time, for a discouraging freezing in the mortgage-credit field.

Economic historians will record the banking failures as the major factor in causing unprecedented price declines, rapid credit liquidation, business failures and acute general depression. Everything the Congress can possibly do should be done to prevent a recurrence of these conditions.

The dramatic bank failures of the recent depression in Detroit, Chicago and many other localities were convincing evidence that extensive mortgage lending was not sound banking.

Business' viewpoint

THE National Chamber's committee on banking legislation, made up of business men (no banker on it), had

this suggestion as to the proposed change:

The power of member banks to make loans upon the security of improved real estate should be limited to 50, or at most 60, per cent of the appraised value of the property, and the permissible volume of such loans should bear a conservative relation to capital and surplus, or to time and savings deposits.

If the application of the present provision of law that all banks in the insurance deposit fund must be members of the Federal Reserve system after July 1, 1937, is postponed or if the provision is eliminated, the mortgage loan limitations should be established with sole attention to the situation of the banks now in the membership of the system.

The purpose of government

THE bank bill is sometimes referred to as "the Eccles bill," since Marriner S. Eccles, Governor of the Federal Reserve Board, is credited with the authorship of the disputed Title II. The purpose of the bill grows clearer if we consider it in the light of Mr. Eccles' own statement of his political creed:

In this country fully nine-tenths of all payments are made by check rather than in cash. Control over the supply of money therefore involves . . . a control over the volume of bank deposits and bank credits. . . .

The necessity of Government control arises from the fact that governments are largely instruments for the formulation and execution of economic and financial policies.

Contrast that with a statement of the early theory of the functions of government formulated about the time our Constitution was written:

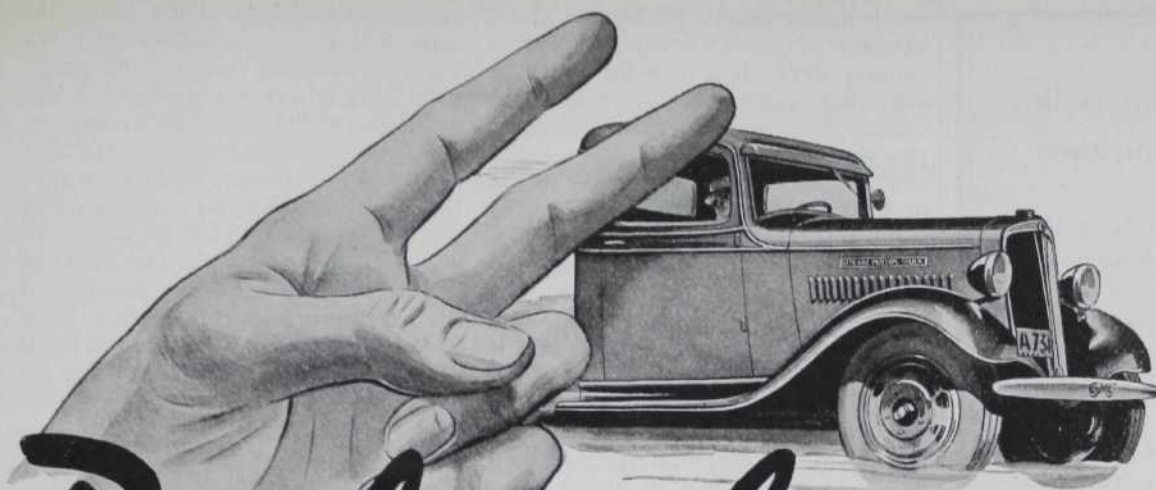
"The functions of government cease with the protection of life and property and the enforcement of contracts."

A far cry from the Eccles theory of what governments are. A far cry, too, from the statement of the Declaration of Independence that "Governments are instituted among Men" to secure "certain unalienable Rights," among which are, "Life, Liberty and the pursuit of Happiness."

Governments on auction

THE Government has been auctioning off its bonds for the first time in 24 years. Beginning on May 27, the Treasury has offered bonds to the highest bidder, accepting no bids under par.

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not been used since 1911 came about because of the Treasury's desire to squeeze every last nickel's worth of advantage out of the prevailing strong bond market. This is done in two ways:

First, by offering its bonds to the highest bidder above par, the Government nets a premium on the sale. For instance, the Treasury first offered \$100,000,000 worth of three per cent bonds of 1946-1948. The average bid, as reported by the Treasury, was approximately \$103.12½ for a \$100 bond. The Treasury sold the \$100,000,000 issue for \$103,085,207, making a bonus or premium over the face value of the bonds of more than \$3,000,000.

Second, the interest which the Government has to pay is indirectly reduced. The Government will be paying three per cent on \$100,000,000, but it actually obtained \$103,000,000. Therefore, the interest or "yield" on the actual amount borrowed is only 2.67 per cent, figured to the first call date, June 15, 1946.

Squeezing out the last penny

SECRETARY of the Treasury Morgenthau has translated all this into two simple terms. He says the bonds are sold on an "auction" basis and that the automatic adjustment of interest to the total amount borrowed "hits the market right on the nose," that is, gets the Government the best prevailing interest rates.

What the Government saves by these auction sales comes out of the income of bond houses and bankers that are the big dealers in Government bonds. The Treasury's new plan spells thin margins of profit, if any, for them.

Suppose, to illustrate, the Treasury had offered the three per cent bonds in the ordinary way, for sale at par to the first buyers who put in tenders. The big bond dealers, always the first in line, would have obtained them for par, and, since the market was what it was, could have sold each \$100 bond for \$103.12½. The \$3,000,000 premium would have gone into their pockets. Instead the auction put the premium into the Treasury. Secretary Morgenthau admits that the Treasury's gain is the dealer's loss.

"We think this is an economical arrangement. It won't be so profitable for some of the dealers, but it is for the Government, and that's who I am working for," is his comment.

Whether there is wisdom in a Government policy of paring down the profits of those people who usually handled the Government's bonds, only time will tell. The dealers showed no disposition to snub the first auctioned bonds. Tenders for them

amounted to \$270,000,000, about the same volume of oversubscription the Treasury usually gets on the short-term bills it sells on a similar basis.

On the other hand, the Government bond market slumped after the new plan was announced. The day before the announcement was made, three per cent bonds of 1946-48 were selling as high as 103 30/32 and even the day before the Treasury announced the results of its offer they were quoted at 103 10/32. In comparison the average price bid for the new issue was 103 4/32.

Secretary Morgenthau, as this is written, plans to rely on auction sales of bonds to raise most of the money which the Treasury will have to borrow until July 1. He has said bonds will be offered in this fashion every other week. No other large Treasury cash borrowing is contemplated at least until July 1.

Silver not to be devalued

IF THERE are still rumors floating about that the Roosevelt Administration intends to use the authority given it in the Gold Reserve Act and devalue the silver dollar as it did the gold dollar, they can be laid at rest.

Early in May, when Mexico was revamping her currency to fit the New Deal's silver purchase policy, Manuel Lopez, assistant secretary of the Mexican treasury, spent several days in conference with Secretary of the Treasury Morgenthau.

Neither one would reveal what they said to each other.

Subsequently, however, Mexico began reminting her silver coins. She started adjusting their silver content so that the silver in the coins would actually be worth the face value of the coin when silver was worth \$1.36 cents an ounce in world markets.

This is precisely the American system. The silver in our coins would be worth the face value of the coins if silver reached approximately \$1.36 an ounce.

This is known as the legal "coinage value" while \$1.29 is the statutory "monetary value."

In other words, Secretary Morgenthau may well have assured Assistant Secretary Lopez that the Roosevelt Administration does not contemplate sending silver above the \$1.29 cents an ounce required by the Silver Purchase Act.

If President Roosevelt were to devalue the silver dollar as he did the gold dollar, silver would jump to \$2.18.

The Mexicans were acutely aware of the President's power to revalue silver under the Gold Reserve Act and inquired specifically about his intentions.

New Labels on Old Bottles

(Continued from page 26)

There is at this moment a bill before Congress, introduced by Senator Wheeler, providing for government ownership of railroads. Furthermore, as to communications, Congress has begun a \$750,000 "investigation" of the communication companies, a step strangely reminiscent of the early "investigations" of the power and light industry which have lulled the public into approval of confiscation and competition by political forces.

A third point in the Marxian program sounds a strikingly modernistic note, as if it had been evolved by a latter-day economist belonging to that school which holds that American economic policy has become out-of-date. The American system must be overhauled and made applicable to conditions growing out of the mechanization and concentration of industry and the development of the corporate form of business enterprise. It reads:

Combination of agriculture with manufacturing industries; gradual abolition of the distinction between town and country by the more equitable distribution of population over the country.

From this it would appear that the germ of the idea which is now blossoming into subsistence homesteads, into the government-fostered industries in the Tennessee Valley and into the expenditure of government funds for the redistribution of so-called "stranded" populations, did not originate with latter-day academicians who have discovered that the modern economic system—the machine economy—has grown out of touch with social needs. On the contrary, it was planted in 1848, long before these social diagnosticians were born, in communistic soil.

Plans and regimentation

TWO other related points of the Communist Manifesto follow in the same groove. They are:

Extension of factories and instruments of production owned by the State; the bringing into cultivation of waste lands, and the improvement of the soil generally in accordance with a common plan.

Equal liability of all to labor. Establishment of industrial armies, especially for agriculture.

Here are echoed the twin ideas around which controversy now centers—"planning" and "regimentation." The first point, state ownership of factories and instruments of produc-

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tion, smacks too much of socialism to be accepted willingly by Congress, but the pill has been coated and administered under another label. The official Government Manual states as one of the purposes of the Tennessee Valley Authority, "the promotion and coordination of industry and agriculture."

It is also "planning for the complete Tennessee River watershed, including erosion control, forestation and further use of mineral resources." It is producing and selling power. It has incorporated the Electric Home and Farm Authority, a mortgage company to finance the sale of electric appliances, and the Tennessee Valley Associated Cooperatives to "organize, establish, manage and finance" cooperative industrial enterprises. The effort to preserve the distinction between "owning and operating" and "promoting and encouraging" is rather conspicuous but at times the lay mind finds it difficult to grasp the distinction.

Congress has swallowed complacently enough the "planning" pill compounded after the Communistic formula, although it balks at the strong-dose, "regimentation." It has appropriated funds out of which \$250,000,000 has been set aside for "rural rehabilitation, water conservation, transmountain water diversion, irrigation

and reclamation." It has delegated the authority by which the Department of Agriculture can exercise a certain measure of control over the planting of crops. It has approved the idea of establishing an arbitrary balance between industry and agriculture.

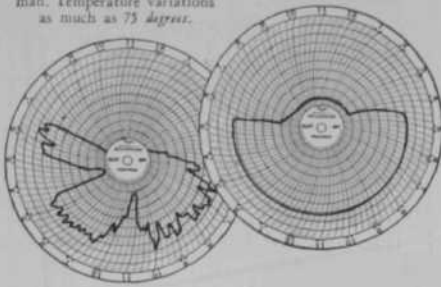
"Cooperation" for pay

BUT it still makes a wry face at "regimentation," preferring the milder term, "cooperation." Instead of compelling the farmers to plant crops in accordance with a federal plan, it arrives at the same end by paying bonuses or crop benefits or by outright purchase. But the gap between "cooperation" and "compulsion" is gradually narrowing. As this is written a proposal is pending before Congress to "regiment" the processing and distribution of food products by means of a licensing system under political control. By licensing is meant that no person or corporation handling, processing, buying or selling products of the soil could do business without the permission of a bureau in Washington. In its original form this bill would have empowered the Administration to control more than 1,000,000 such businesses.

On the other Marxian point, the Wagner labor disputes bill is, at least, a first step toward the regimentation

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In the Machine Tool Show of 1935, the extraordinary developments of the past six years in machine tools and accessories are brought for you beneath one roof. So marked are the advances that they establish a new era in the machine method: they make it possible for better products to be made, with profit, so priced that more goods may be sold.

Come to this Show! Send your mechanical executives—and the sales wizards.

Both they and you will gain new concepts of progress at the Greatest Machine Shop in the World.

FIVE ACRES OF MACHINE TOOLS IN OPERATION—AMERICA'S OPPORTUNE REVIEW OF PRIMARY PRODUCTIVE STRENGTH

Reduced railroad rates will apply for concurrent Machine Tool Congress—no advance in hotel rates. Interesting booklet on request—address 1220 Guarantee Title Building, Cleveland, Ohio



MACHINE TOOL SHOW

CLEVELAND — SEPT. 11-21

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frontiers

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The winning of our new frontiers is not a conquest of miles, but of millions... the millions of dollars it is costing the nation to wring a kind of desperate efficiency out of existing buildings and factories and transportation systems.

Today's pioneers are America's engineers, architects and designers. Their frontier is as wide as all industry. Their struggle is against obsolescence and inefficiency.

There are three fundamental ways in which Aluminum can help them in their battle:

Aluminum can save the shameful waste of power that is caused by needless weight in motion. For example, heavy trains, and ponderous trucks and buses are economically absurd. Every machine or part of a machine that has to be moved should be light to be efficient. Wherever metal is put in motion, lightness means efficiency. Nature made Aluminum light. Research has made it strong.

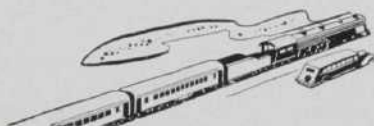
Aluminum can save much of the waste

caused by corrosion. The way to defeat that arch enemy of metals is to starve it to death. Atmospheric corrosion as well as many kinds of industrial corrosion, has little appetite for Aluminum. Aluminum scores again.


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Speedy revival of the durable goods industries is not entirely a matter of economic recovery. Partly it must come from modernization. Greater efficiency can be achieved by every architect, engineer and designer pushing forward via fundamentals, three of the most important of which are found in Aluminum.

To make Aluminum more serviceable, more economical and easier to use has been our objective for 50 years. We try to make every commercial and engineering contact a sincere and practical expression of that objective. Problems and inquiries are invited from manufacturers and their technical men. ALUMINUM COMPANY OF AMERICA, Gulf Building, Pittsburgh, Pennsylvania.



forward via fundamentals



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